

**Public Accounts
1994-95
Volume 3**

**Financial Statements of Provincial
Agencies, Commercial Enterprises and
Crown-controlled Corporations**



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PUBLIC ACCOUNTS 1994-95

PREFACE

The Public Accounts of Alberta are prepared in accordance with the provisions of section 77 of the Financial Administration Act. The Public Accounts are presented in four volumes.

Volume 1 contains the consolidated financial statements of the Province of Alberta. The consolidated financial statements include the accounts of government entities including the General Revenue Fund, revolving funds, the Alberta Heritage Savings Trust Fund, and other regulated funds, Provincial agencies and Crown-controlled corporations.

Volume 2 contains the financial statements of the General Revenue Fund, details of General Revenue Fund expenditure and revenue by department, financial statements of revolving funds and regulated funds, and reports that are required to be included with the Public Accounts in accordance with the Financial Administration Act and other statutes, or by direction of the Provincial Treasurer.

This volume contains the financial statements of Provincial agencies, commercial enterprises and Crown-controlled corporations. Financial statements of subsidiaries of Provincial agencies are also included in this volume.

Volume 4 contains the financial statements of universities, university foundations, the Banff Centre for Continuing Education, public colleges, technical institutes, the Alberta Cancer Board, the Alberta Heritage Foundation for Medical Research, the Provincial Mental Health Board, and financial statements or summaries of Regional Health Authorities.

TABLE OF CONTENTS

Section	Page
1. Financial Statements of Provincial Agencies	1
2. Financial Statements of Commercial Enterprises	221
3. Financial Statements of Crown-controlled Corporations	289
Alphabetical Index of Agencies	305

There is a detailed table of contents at the beginning of each numbered section.

SECTION 1

1994-95 PUBLIC ACCOUNTS

PROVINCIAL AGENCIES - FINANCIAL STATEMENTS

Contents:	Page
Introduction	3
Agriculture, Food and Rural Development:	
Agriculture Financial Services Corporation	4
Alberta Agricultural Research Institute	18
Alberta Dairy Control Board	22
Community Development:	
Alberta Foundation for the Arts	28
The Alberta Historical Resources Foundation	36
Alberta Multiculturalism Fund	42
Alberta Sport Council	47
Alberta Sport, Recreation, Parks and Wildlife Foundation	52
Glenbow-Alberta Institute	58
The Government House Foundation	66
The Recreation, Parks and Wildlife Foundation	70
Economic Development and Tourism:	
Alberta Motion Picture Development Corporation	78
Alberta Opportunity Company	83
Alberta Research Council	90
Tourism Education Fund	99
Energy:	
Alberta Electric Energy Marketing Agency	105
Alberta Oil Sands Technology and Research Authority	107
Alberta Petroleum Marketing Commission	111
Energy Resources Conservation Board	117
Public Utilities Board	126
Take-or-pay Costs Sharing Fund	131
540540 Alberta Ltd	134

Contents:	Page
Environmental Protection:	
Alberta Environmental Research Trust	137
Alberta Special Waste Management Corporation	141
Environment Council of Alberta	152
Natural Resources Conservation Board	157
Tire Recycling Management Board	162
Health:	
Alberta Alcohol and Drug Abuse Commission	167
The Wild Rose Foundation	173
Municipal Affairs:	
The Alberta Educational Communications Corporation	179
Alberta Social Housing Corporation	187
Transportation and Utilities:	
Alberta Racing Commission	198
Alberta Resources Railway Corporation	204
Treasury:	
Alberta Insurance Council	209
Alberta Municipal Financing Corporation	214

PROVINCIAL AGENCIES - FINANCIAL STATEMENTS

Introduction:

Section 1(1)(l) of the Financial Administration Act defines a Provincial agency as a Provincial corporation or Provincial committee.

According to the definition in Section 1(1)(n) of the Financial Administration Act, a Provincial corporation “means

- (i) a corporation that is incorporated by or under an Act of the Legislature, other than a local or private Act, all or a majority of whose members or directors are appointed or designated, either by their personal names or by their names of office, by an Act of the Legislature or regulations under an Act of the Legislature, by an order of the Lieutenant Governor in Council or a Minister of the Crown or by any combination thereof, or
- (ii) a corporation all of whose issued voting shares of every class are owned by the Crown or held in trust for the Crown or are partly owned by the Crown and partly held in trust for the Crown, or
- (iii) a corporation that is a subsidiary of a corporation referred to in subclause (i) or (ii) or that is controlled by a corporation referred to in subclause (i) or (ii) directly or indirectly through one or more intermediary corporations,

but does not include a new town or a housing authority incorporated under section 42 of the Alberta Mortgage and Housing Corporation Act or a management body within the meaning of the Alberta Housing Act, a board of a hospital district appointed by an order made under section 8 of the Hospitals Act or a regional health authority or subsidiary health corporation under the Regional Health Authorities Act.”

Section 1(1)(m) of the Financial Administration Act defines a Provincial committee as “an unincorporated board, commission, council or other body that is not a department or part of a department, all or a majority of whose members are appointed or designated, either by their personal names or by their names of office, by an Act of the Legislature or regulations under an Act of the Legislature, by an order of the Lieutenant Governor in Council or of a Minister of the Crown or by any combination thereof.”

All the Provincial agencies included in this section are Provincial corporations except the Alberta Multiculturalism Fund and the Tourism Education Fund, which are Provincial committees.

The Provincial corporations included in this section are subsidized in some manner by the General Revenue Fund and are considered to complement a Government program. They are included in the consolidated financial statements after adjusting the accounts to a basis consistent with the Accounting Policies note in the consolidated financial statements in Volume 1.

The large majority of Provincial committees do not operate funds. They are financed and accounted for as departmental expenditure under a supply vote. Included in this section are those committees that operate funds. They are also included in the consolidated financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Insurance Revenue, Expenditure and Surplus
Schedule of Administration Expenses
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 1995 and the statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As explained in Note 2(a) to the financial statements, interest accrued on loans that are significantly in arrears is reported as revenue by the Corporation. In this respect, these financial statements are not in accordance with generally accepted accounting principles. Revenue is overstated by the amount of interest accrued on overdue loans, and the provision for doubtful accounts is overstated by a similar amount. This departure from generally accepted accounting principles does not affect the Corporation's excess of revenue over expenditure or surplus. The amounts of the overstatements are not reasonably determinable from the Corporation's accounting systems.

In my opinion, except that interest revenue is recognized on loans that are significantly in arrears as described in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 12, 1995

AGRICULTURE FINANCIAL SERVICES CORPORATION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (Note 21)
ASSETS		
Cash	\$ 51,305,578	\$ —
Short-term investments (Note 5)	68,597,720	1,685,601
Accounts receivable (Note 6)	13,996,497	10,703,854
Due from Province of Alberta (Note 7)	—	54,827,952
Due from Government of Canada (Note 8)	—	55,426,579
Due from Crop Reinsurance Fund of Canada for Alberta	41,075	—
Loans receivable (Note 10)	871,170,663	898,690,659
Property held for sale (Note 11)	2,362,915	3,168,039
Long-term investments (Note 5)	32,815,649	32,632,955
Other assets (Note 12)	4,025,000	2,675,000
Capital assets (Note 13)	4,821,517	5,851,838
	<u>\$1,049,136,614</u>	<u>\$1,065,662,477</u>
LIABILITIES AND SURPLUS		
Bank indebtedness	\$ —	\$ 40,828,901
Accounts payable and accrued liabilities (Note 14)	19,373,611	6,822,858
Estimated indemnities payable (Note 15)	12,477,267	62,046,517
Due to Province of Alberta (Note 7)	46,868,056	—
Due to Government of Canada (Note 8)	11,010,457	—
Due to Crop Reinsurance Fund of Alberta	12,915,002	22,366
Due to Crop Reinsurance Fund of Canada for Alberta	—	3,225,279
Allowance for losses on loan guarantees (Note 16)	5,342,000	4,931,000
Debentures payable (Note 17)	907,296,148	962,709,588
Deferred Canada-Alberta Partnership on Agri-food contribution (Note 8)	3,091,415	1,576,564
	<u>1,018,373,956</u>	<u>1,082,163,073</u>
Surplus (deficit)	<u>30,762,658</u>	<u>(16,500,596)</u>
	<u>\$1,049,136,614</u>	<u>\$1,065,662,477</u>
Approved by the Board:		
John Krall	R.A. Splane	
Director	President and Managing Director	

The accompanying notes and schedules
are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995			1994	
	Insurance Division	Lending Division	Total Actual	Budget	Total Actual
	(Schedule 1)			(Note 3(a))	(Note 21)
Revenue:					
Premiums from insured persons	\$ 143,759,394	\$ —	\$ 143,759,394	\$ 171,040,000	\$ 175,110,820
Interest	2,980,331	75,514,332	78,494,663	83,279,457	80,171,494
Contribution from Province of Alberta (Note 19)	83,437,067	64,364,433	147,801,500	184,431,287	212,859,654
Contribution from Government of Canada (Note 8)	120,846,477	563,621	121,410,098	177,081,000	158,771,927
Investment income	6,493,954	909,016	7,402,970	6,150,000	8,500,939
Amortization of loan discounts (Note 10)	—	3,122,429	3,122,429	2,086,132	4,830,889
	<u>357,517,223</u>	<u>144,473,831</u>	<u>501,991,054</u>	<u>624,067,876</u>	<u>640,245,723</u>
Expenditure:					
Indemnities	69,907,345	—	69,907,345	414,417,550	306,061,451
Interest	4,111,658	90,475,635	94,587,293	103,681,951	104,110,381
Reinsurance	26,249,630	—	26,249,630	30,416,600	30,077,541
Disaster assistance interest benefit	—	18,652,463	18,652,463	19,467,840	20,992,698
Farm loan incentive	—	8,302,619	8,302,619	9,275,000	8,806,700
Administration expense, Schedule 2 (Note 20)	19,691,775	11,012,683	30,704,458	35,474,303	34,614,522
Provision for doubtful accounts and for losses (Note 18)	393,749	2,464,690	2,858,439	10,009,600	7,962,252
	<u>120,354,157</u>	<u>130,908,090</u>	<u>251,262,247</u>	<u>622,742,844</u>	<u>512,625,545</u>
Excess of revenue over expenditure for the year	237,163,066	13,565,741	250,728,807	\$ 1,325,032	127,620,178
Recoverable net, Schedule 1	(203,465,553)	—	(203,465,553)		(95,275,204)
Surplus for the year	33,697,513	13,565,741	47,263,254		32,344,974
Surplus (deficit) at beginning of year	52,977,124	(69,477,720)	(16,500,596)		(48,845,570)
Surplus (deficit) at end of year	<u>\$ 86,674,637</u>	<u>\$ (55,911,979)</u>	<u>\$ 30,762,658</u>		<u>\$ (16,500,596)</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (Note 21)
Operating activities		
Cash from operations:		
Excess of revenue over expenditure for the year	\$ 47,263,254	\$ 32,344,974
Charges (credits) not affecting cash:		
Gain on sale of investments	—	(2,618,368)
Amortization of investments	16,786	370,090
Amortization of capital assets	952,189	1,163,591
Write-off and loss on disposal of capital assets	483,376	2,583
Provision for doubtful accounts	2,858,439	7,962,252
Increase in net liability related to unfunded pension liability	—	(1,264,400)
Amortization of loan discount	<u>(3,122,429)</u>	<u>(4,830,889)</u>
	48,451,615	33,129,833
Change in assets and liabilities relating to operations:		
Increase in accounts receivable	(3,680,664)	(7,066,493)
(Increase) decrease in reinsurance receivables	(41,075)	29,417,730
Decrease in government receivables	114,254,531	63,499,710
(Increase) decrease in investment accrued interest	(3,118,077)	880,851
Decrease in loan accrued interest	1,361,706	952,573
Decrease in loan interest in arrears	1,131,364	2,147,867
Increase in deferred Canada-Alberta Partnership on Agri-Food contribution	1,514,851	1,371,815
Increase in accounts payable and accrued liabilities	12,550,753	1,177,418
Increase in reinsurance payables	9,667,357	3,247,645
Decrease in estimated indemnities payable	(49,569,250)	(67,839,499)
Increase (decrease) in government payables	57,878,513	(14,779,998)
Decrease in debenture accrued interest	(912,358)	(1,794,507)
Other	<u>(659,784)</u>	<u>(102,039)</u>
Net cash utilized by operations	<u>188,829,482</u>	<u>44,242,906</u>
Investing activities		
Proceeds on disposal of other assets	1,206,905	—
Proceeds from sale of properties and repayments of loans receivable	101,608,663	107,914,539
Loan disbursements	(76,610,721)	(72,996,340)
Proceeds on disposal of capital assets	114,076	17,449
Purchase of capital assets	(519,321)	(1,348,079)
Proceeds from disposal of investments	66,669	4,571,223,048
Purchase of investments	<u>(64,060,192)</u>	<u>(4,515,673,415)</u>
Net cash from investing activities	<u>(38,193,921)</u>	<u>89,137,202</u>
Financing activities		
Repayment of loan	—	(2,047,500)
Repayment of short-term Provincial loan	(4,000,000)	(23,000,000)
Repayment of debenture principal	(54,501,082)	(64,492,317)
Short-term borrowing from the Province of Alberta	—	17,000,000
Decrease in trust fund receivable	—	96,662
Net cash from financing activities	<u>(58,501,082)</u>	<u>(72,443,155)</u>
Net cash utilized by operating, investing and financing activities	92,134,479	60,936,953
Bank indebtedness at beginning of year	<u>(40,828,901)</u>	<u>(101,765,854)</u>
Cash (bank indebtedness) at end of year	<u>\$ 51,305,578</u>	<u>\$ (40,828,901)</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Commencement of Operations

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12.5, 1993.

The Corporation commenced operations on April 1, 1994, and assumed the assets, property, liabilities and obligations of the Alberta Hail and Crop Insurance Corporation and the Alberta Agricultural Development Corporation pursuant to Part 3 of the Agriculture Financial Services Act. The net book value of the assets, property and liabilities assumed by the Corporation are as follows:

	Alberta Hail and Crop Insurance Corporation	Alberta Agricultural Development Corporation	Total
Cash and short-term investments	\$ (40,496,421)	\$ 1,353,121	\$ (39,143,300)
Loans receivable	—	898,690,659	898,690,659
Long-term investments and other assets	32,632,955	2,675,000	35,307,955
Capital assets	4,634,355	1,217,483	5,851,838
Long-term liabilities	—	(969,217,152)	(969,217,152)
Other assets and liabilities	56,206,235	(4,196,831)	52,009,404
	<u>\$ 52,977,124</u>	<u>\$ (69,477,720)</u>	<u>\$ (16,500,596)</u>

Obligations assumed by the Corporation are as follows:

	Alberta Hail and Crop Insurance Corporation	Alberta Agricultural Development Corporation	Total
Contingencies	\$ —	\$47,402,431	\$47,402,431
Commitments	—	41,748,318	41,748,318
	<u>\$ —</u>	<u>\$89,150,749</u>	<u>\$89,150,749</u>

Note 2 Significant Accounting Policies and Reporting Practices

(a) Interest Revenue

Interest revenue is accrued on certain loans receivable that are significantly in arrears. Interest revenue recognized on these loans is offset by a corresponding increase in the provision for doubtful accounts and, accordingly, the Corporation's excess of revenue over expenditure and surplus are fairly stated. This practice of accruing and reporting interest on these loans was adopted because the Corporation's computer system does not have the capability of calculating interest both in accordance with loan agreements and also in accordance with generally accepted accounting principles. During fiscal year 1995-96 management will introduce a computer system which will provide the information necessary to comply with the applicable generally accepted accounting principles.

(b) Investments

Short-term investments are carried at the lower of cost or amortized cost and market value.

Long-term investments are carried at cost or amortized cost unless there is a permanent decline in the value of the investments, when the investments are written down to recognize the loss.

(c) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Computer equipment	5 years
Equipment and furniture	10 years
Vehicles	5 years

(d) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received and any related allowance for losses on realization.

(e) Fees

Application fees are recorded when the applications are received, and loan fees are recorded at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable work.

(f) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated, but not specifically identified, losses. A specific provision is established on a loan-by-loan basis, whereas a general provision is based on historical experience and is intended to cover losses on loans and guarantees that have not yet been specifically identified.

(g) Loan Discounting

Loans made under the Disaster Assistance Programs, Canada-Alberta Partnership on Agri-food Program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts outstanding have been discounted to their estimated present value. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

If government borrowing rates become significantly higher than the Corporation's lending rates, similar discounting principles will be applied to future loans to be disbursed by the Corporation.

(h) Pension

Expenditures

Salaries and benefits include the cost of pension obligations earned by employees during the year and interest on the portion of unfunded pension liabilities which the Corporation has agreed to fund.

Liabilities

Accounts payable and accrued liabilities include the portion of unfunded pension liabilities for which the Corporation is responsible.

Note 3 Financial Structure

(a) The budget as shown in the statement of revenue, expenditure and surplus was approved by the Board of Directors on April 27, 1995 and reflects contributions by the Province of Alberta authorized through the Legislative Assembly.

(b) Insurance

The Hail Insurance Program is entirely funded by producers. Crop Insurance, Revenue Protection and Wildlife Programs are funded according to the Cost-sharing Agreements between the Province of Alberta and the Government of Canada which provide:

- (i) for contributions to be made by the Government of Canada and the Province of Alberta matching 50% of the crop insurance premiums collected from insured persons;
- (ii) for payments to be made to the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta based on crop insurance premiums collected, plus the matching amounts received or receivable from the Government of Canada and the Province of Alberta;
- (iii) for crop indemnities in excess of crop insurance reserves to be drawn from the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta, in accordance with a formula set out in the agreement;
- (iv) for any crop insurance surplus for a fiscal year to be allocated to the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta if there is a deficit in that Fund, in accordance with a formula set out in the agreement;
- (v) for matching contributions covering administrative costs to be made by the Government of Canada and the Province of Alberta;
- (vi) for contributions to be made by the Government of Canada at 41.67%, and the Province of Alberta at 25%, of total premiums for the revenue protection program;
- (vii) for revenue protection indemnities in excess of revenue for a fiscal year to be funded by an advance; 65% from the Government of Canada and 35% from the Province of Alberta. The advances plus interest will be repaid when the revenue protection program is in a surplus position. Upon termination of the program, any deficit (excluding the administration surplus) will be funded 65% from the Government of Canada and 35% from the Province of Alberta. Upon termination of the program, any surplus (excluding the administration surplus) will be refunded in proportion to premium contributions. Since Alberta has given notice to exit from Revenue Protection by March 31, 1996, these financial statements reflect the distribution of the surplus.

(c) Lending

- (i) The Corporation's loans are funded through debentures to the Alberta Heritage Savings Trust Fund. The Corporation's operations are funded by contributions from the General Revenue Fund of the Province of Alberta through the Department of Agriculture, Food and Rural Development for operations under the Agriculture Financial Services Act, and through Alberta Public Safety Services for operations under Disaster Assistance Programs. The Canada-Alberta Partnership on Agri-food is funded by the Government of Alberta and Canada.
- (ii) Certain office accommodation and support costs, totalling approximately \$2,560,000 are provided by the General Revenue Fund of the Province of Alberta, and, accordingly, these costs are not reflected in these financial statements.

Note 4 Loan Programs and Repayment Options

(a) Beginning Farmer Program

This program provides loans to eligible beginning farmers. Loans made under this program entitle borrowers, as long as certain conditions are met, to an incentive equal to 3% of outstanding principal over each of the first five years of the loan. Beginning farmer loans are made for terms of up to 20 years with interest at 9% and are secured by land and other farm assets.

(b) Disaster Assistance Programs

In addition to programs offered under the Agriculture Financial Services Act, the Corporation also administers three Disaster Assistance Programs funded through Alberta Public Safety Services. The programs used to provide disaster loans, from 1990 to 1993, with non-interest bearing terms for two or five year periods. Alternatively, certain eligible borrowers could receive funds equivalent to the interest free benefit of a disaster loan. The cost of these programs is reimbursed by Alberta Public Safety Services, and its contribution is reflected in the statement of operations and deficit.

(c) Canada-Alberta Partnership on Agri-food

This program provides financing to help stimulate private sector investment in the agriculture and food processing industry in Alberta. The program provides loans for eligible projects, which are non-interest bearing for a maximum of five years (see also Note 8(b)).

(d) Loan Guarantees

The Corporation guarantees certain farm and agri-business loans made by other financial institutions and vendors in Alberta. The Province of Alberta indemnifies the Corporation for any losses that might be incurred on loan guarantees.

(e) Indexed Deferral Plan

Prior to March 31, 1993, the Indexed Deferral Plan allowed for the deferral of certain payments due on loans where that year's commodity price index was less than a 10-year average for the index. The terms of the deferral require that in years where the current commodity index is greater than the 10-year average index, a portion of the deferred balance will be payable. Interest is not charged on amounts deferred under this Plan.

Note 5 Investments

	1995		1994	
	Short-term	Long-term	Short-term	Long-term
Bonds and debentures:				
Government of Canada, direct and guaranteed	\$51,464,553	\$11,551,525	\$ —	\$16,531,459
Province of Alberta	6,119,433	7,467,463	1,377,298	7,457,298
Other provincial direct and guaranteed	7,713,162	13,007,505	—	7,980,850
	<u>65,297,148</u>	<u>32,026,493</u>	<u>1,377,298</u>	<u>31,969,607</u>
Accrued interest	3,300,572	789,156	308,303	663,348
	<u>\$68,597,720</u>	<u>\$32,815,649</u>	<u>\$ 1,685,601</u>	<u>\$32,632,955</u>
Approximate market value at March 31 (excluding accrued interest)	<u>\$64,709,600</u>	<u>\$30,070,118</u>	<u>\$ 1,310,250</u>	<u>\$30,043,225</u>

Short-term investments are recorded at amortized cost as this approximates market value.

Note 6 Accounts Receivable

	1995	1994
Premiums from insured persons:		
Crop insurance program	\$ 4,073,137	\$ 3,361,407
Hail insurance program	1,478,555	914,182
Revenue protection program	3,997,649	3,306,325
Recoveries, revenue protection program	5,118,348	3,447,289
Other receivables	234,780	192,602
	<u>14,902,469</u>	<u>11,221,805</u>
Less: Allowance for doubtful accounts (Note 18)	905,972	517,951
	<u>\$13,996,497</u>	<u>\$10,703,854</u>

Note 7 Due from (to) Province of Alberta

	1995	1994
Unexpended premiums and administration expenditure grants	\$(33,925,333)	\$ (1,094,671)
Disaster assistance	1,337,516	560,383
Interest payable	(3,829,006)	(669,564)
Advances	—	(34,000,000)
(Surplus) deficit recovery	(10,451,233)	90,031,804
	<u>\$(46,868,056)</u>	<u>\$ 54,827,952</u>

Note 8 Government of Canada Funding

(a) Due from (to) Government of Canada

	1995	1994
Premiums and administration expenditure receivable	\$ 7,851,071	\$ 25,580,011
Canada-Alberta Partnership on Agri-food	(1,324,126)	(120,539)
Interest payable	(117,286)	(338,874)
(Surplus) deficit recovery	(17,420,116)	30,305,981
	<u>\$(11,010,457)</u>	<u>\$ 55,426,579</u>

(b) Deferred Canada-Alberta Partnership on Agri-food Contribution

The Corporation delivers the Canada-Alberta Partnership on Agri-food program which is funded equally by the Governments of Alberta and Canada. The amount shown on Note 8(a) does not include the Deferred Canada-Alberta Partnership on Agri-food Contribution.

One-half of the Government of Canada's share of the funding is payable to Canada by September 30, 1996 and is included in the total Due from (to) Government of Canada figure shown in Note 8(a). The other half of the Government of Canada's funding is used to defray the current and future administration and interest costs of the program. The unexpended portion of this contribution is shown as a deferred contribution on the balance sheet and is comprised of the following:

	1995	1994
Funding by the Government of Canada	\$4,156,944	\$3,228,947
Less: One half repayable	2,078,472	1,614,473
Contribution by the Government of Canada	2,078,472	1,614,474
Expenses for the year	563,621	242,659
Deferred contribution for the year	1,514,851	1,371,815
Deferred contribution at beginning of year	1,576,564	204,749
Deferred contribution at end of year	<u>\$3,091,415</u>	<u>\$1,576,564</u>

Note 9 Crop Reinsurance Funds

The Crop Reinsurance Fund of Alberta is held by the Province of Alberta. Amounts due to or from this Fund are calculated and included in Due from (to) Crop Reinsurance Fund of Alberta on the balance sheet.

The Crop Reinsurance Fund of Canada for Alberta is held by the Government of Canada. Amounts due to or from the Fund are calculated and paid periodically.

The balances in these funds, as at March 31, are as follows:

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	1995	1994	1995	1994
Opening surplus (deficit)	\$ 22,366	\$(16,133,396)	\$ 12,476,880	\$ (2,675,823)
Current year contributions	12,892,636	14,919,814	12,892,636	14,919,814
	<u>12,915,002</u>	<u>(1,213,582)</u>	<u>25,369,516</u>	<u>12,243,991</u>
Recoveries from the Corporation	—	1,235,948	—	232,889
Closing surplus	<u>\$ 12,915,002</u>	<u>\$ 22,366</u>	<u>\$ 25,369,516</u>	<u>\$ 12,476,880</u>

Note 10 Loans Receivable

Assuming that options to renew will be exercised, loans are repayable in instalments due as follows:

	1995	1994
Arrears of principal and interest	\$ 14,041,328	\$ 16,013,362
Prepaid balances	(20,487,339)	(21,370,267)
Principal due in:		
Year(s) 1	55,706,233	52,426,902
2	63,164,337	55,538,264
3	60,989,171	62,459,415
4	62,429,649	59,372,269
5	63,953,183	61,056,518
Year(s) 6-10	290,178,406	296,103,145
Year(s) over 10	282,583,290	315,485,582
Amounts deferred under the Indexed Deferral Plan	38,553,060	43,089,783
	<u>911,111,318</u>	<u>940,174,973</u>
Plus: Accrued interest	35,926,191	37,287,897
	<u>947,037,509</u>	<u>977,462,870</u>
Less:		
Allowance for doubtful accounts (Note 18)	(40,798,546)	(40,149,658)
Accrued incentives	(4,457,729)	(4,889,553)
Loan discounts	(30,610,571)	(33,733,000)
	<u>\$871,170,663</u>	<u>\$898,690,659</u>

Included in the above are non-interest bearing loans which, before discounting, have principal amounts outstanding of:

	1995	1994
Disaster Assistance Programs	\$40,833,933	\$48,182,500
Indexed Deferral Plan	38,553,060	43,089,783
Canada-Alberta Partnership on Agri-food	15,794,961	7,655,814
	<u>\$95,181,954</u>	<u>\$98,928,097</u>

Note 11 Property Held for Sale

Property, consisting mainly of land, has been acquired as a result of foreclosures, quit claims and other actions.

	1995	1994
Cost of property	\$ 5,262,915	\$ 7,583,539
Less: Allowance for losses on realization (Note 18)	(2,900,000)	(4,415,500)
Estimated net realizable value	<u>\$ 2,362,915</u>	<u>\$ 3,168,039</u>

Note 12 Other Assets

	1995	1994
Investment in Northern Lite Canola Inc.	\$ —	\$ 14,600,000
Other unlisted preferred shares	4,275,000	4,425,000
Less: Allowance for losses on realization (Note 18)	(250,000)	(16,350,000)
	<u>\$ 4,025,000</u>	<u>\$ 2,675,000</u>

Note 13 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 115,000	\$ —	\$ 115,000	\$ 115,000
Building	2,918,757	(237,065)	2,681,692	2,800,524
Computer equipment	4,308,946	(3,210,158)	1,098,788	1,700,334
Equipment and furniture	1,075,108	(494,696)	580,412	875,849
Vehicles	674,620	(328,995)	345,625	360,131
	<u>\$ 9,092,431</u>	<u>\$ (4,270,914)</u>	<u>\$ 4,821,517</u>	<u>\$ 5,851,838</u>

Effective April 1, 1994, the Corporation increased the threshold for capitalizing capital assets to \$1,500. Previously, capitalized assets costing \$2,940,824, together with related amortization of \$2,461,562, were written off to conform to this policy. This increased the Corporation's expenses by \$479,262.

Note 14 Pension Liability

The Corporation participates with other employers in two defined benefit pension plans. These plans provide pensions for some of the Corporation's employees based on length of service and earnings.

The Corporation had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	<u>1995</u>	<u>1994</u>
Public Service Pension Plan	\$1,053,000	\$ 983,000
Management Employees Pension Plan	793,000	682,000
	<u>\$1,846,000</u>	<u>\$1,665,000</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations, as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Corporation's portion of the liability was based on the Corporation's percentage of the total pensionable payroll of all employers and is recorded on the balance sheet under accounts payable and accrued liabilities.

Note 15 Estimated Indemnities Payable

	<u>1995</u>	<u>1994</u>
Revenue protection	\$12,115,762	\$59,319,734
Crop insurance	293,505	2,426,783
Wildlife	68,000	300,000
	<u>\$12,477,267</u>	<u>\$62,046,517</u>

Note 16 Contingencies and Commitments

	<u>1995</u>	<u>1994</u>
Other loan guarantees	\$64,360,136	\$52,333,431
Less: Allowance for losses (Note 18)	(5,342,000)	(4,931,000)
Total contingencies	<u>\$59,018,136</u>	<u>\$47,402,431</u>
Estimated farm loan incentives	\$25,330,889	\$21,325,912
Approved, undisbursed loans	19,078,304	20,422,406
Total commitments	<u>\$44,409,193</u>	<u>\$41,748,318</u>

Note 17 Debentures Payable

Debentures payable to the Province of Alberta are comprised of the following:

Series	Year of Maturity	Weighted Average Interest Rate	March 31	
			Principal Outstanding	
			<u>1995</u>	<u>1994</u>
A	2004	9.94%	\$ 81,100,000	\$ 88,880,000
B	2004 - 2005	9.13%	22,000,000	23,600,000
C	2005	11.33%	47,200,000	50,400,000
D	2006	10.53%	79,100,000	84,300,000
E	2006 - 2007	9.57%	128,720,000	136,720,000
F	2007 - 2009	8.49%	190,450,000	201,450,000
G	2009 - 2010	9.56%	72,750,000	75,660,000
H	2010 - 2011	10.91%	85,020,000	88,290,000
I	2012 - 2013	8.72%	34,440,000	35,670,000
J	2009	7.93%	40,939,506	42,493,947
K	2011	10.37%	36,957,938	37,837,364
L	2002	10.12%	75,607,852	83,485,067
			894,285,296	948,786,378
Accrued interest			13,010,852	13,923,210
			<u>\$907,296,148</u>	<u>\$962,709,588</u>

Interest rates on debentures are fixed for five-year periods. Repayments are by semi-annual payments over the life of the debentures.

Principal repayments due in each of the next five years are as follows:

Year ending March 31, 1996	\$57,127,489
1997	60,858,797
1998	64,035,683
1999	67,709,916
2000	72,164,477

Note 18 Allowance for Doubtful Accounts and for Losses

	<u>Loans</u>	<u>Property for Sale</u>	<u>Other Assets</u>	<u>Loan Guarantees</u>	<u>Accounts Receivable</u>	<u>Total</u>
Allowance at March 31, 1993	\$ 48,698,599	\$ 10,989,208	\$ 14,850,000	\$ 1,905,000	\$ —	\$ 76,442,807
Transfers to property for sale in 1993-94	(7,354,300)	7,354,300	—	—	—	—
Provision for 1993-94	3,678,775	(760,474)	1,500,000	3,026,000	517,951	7,962,252
Write-offs in 1993-94	<u>(4,873,416)</u>	<u>(13,167,534)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(18,040,950)</u>
Allowance at March 31, 1994	40,149,658	4,415,500	16,350,000	4,931,000	517,951	66,364,109
Transfers to property for sale in 1994-95	(1,397,900)	1,397,900	—	—	—	—
Provision for 1994-95	4,910,424	(299,829)	(2,556,905)	411,000	393,749	2,858,439
Write-offs in 1994-95	<u>(2,863,636)</u>	<u>(2,613,571)</u>	<u>(13,543,095)</u>	<u>—</u>	<u>(5,728)</u>	<u>(19,026,030)</u>
Allowance at March 31, 1995	<u>\$ 40,798,546</u>	<u>\$ 2,900,000</u>	<u>\$ 250,000</u>	<u>\$ 5,342,000</u>	<u>\$ 905,972</u>	<u>\$ 50,196,518</u>

Note 19 Contribution from Province of Alberta

Contribution from Province of Alberta includes operating grants from the Department of Agriculture, Food and Rural Development and Alberta Public Safety Services (APSS). The APSS contribution was determined as follows:

	<u>1995</u>	<u>1994</u>
Interest expense	\$ 6,575,403	\$ 7,720,380
Disaster Assistance interest benefits	18,652,463	20,992,698
Administration expense	368,406	667,000
Provision for doubtful accounts and losses on realization of assets	84,198	31,098
Less: Interest and other revenue	<u>(1,679,035)</u>	<u>(1,556,522)</u>
APSS Contribution	<u>\$24,001,435</u>	<u>\$27,854,654</u>

Note 20 Administration Expense

Certain administration expenses of the Corporation are common to the Insurance Division and Lending Division and have been allocated equally to each division. Certain administration expenses of the Insurance Division are common to the crop insurance, revenue protection, hail insurance and wildlife insurance programs and have been allocated to each on the basis of the number of insurance contracts and claims processed during the year.

Note 21 Comparative Figures

Effective April 1, 1994, Alberta Hail and Crop Insurance Corporation merged with Alberta Agricultural Development Corporation to form Agriculture Financial Services Corporation. The 1994 figures of each entity have been combined and reclassified where necessary to conform to 1995 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF INSURANCE REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995					1994
	Revenue Protection Fund	Crop Insurance Fund	Hail Insurance Fund	Wildlife Fund	Total	Total (Note 21)
Revenue:						
Premiums from insured persons	\$ 78,001,358	\$ 43,877,750	\$ 21,880,286	\$ —	\$ 143,759,394	\$ 175,110,820
Interest	2,154,800	304,636	520,872	23	2,980,331	1,763,884
Contributions from Province of Alberta	56,861,143	26,287,255	—	288,669	83,437,067	130,405,000
Contributions from Government of Canada (Note 8)	95,447,095	25,199,090	—	200,292	120,846,477	158,529,269
Investment income	2,327,470	1,772,729	2,372,625	21,130	6,493,954	7,381,215
	<u>234,791,866</u>	<u>97,441,460</u>	<u>24,773,783</u>	<u>510,114</u>	<u>357,517,223</u>	<u>473,190,188</u>
Expenditure:						
Indemnities	25,067,415	23,905,473	20,488,647	445,810	69,907,345	306,061,451
Interest	4,111,658	—	—	—	4,111,658	4,260,032
Reinsurance	—	25,785,272	464,358	—	26,249,630	30,077,541
Administration expense, Schedule 2 (Note 20)	7,108,257	7,604,390	4,893,218	85,910	19,691,775	20,945,742
Provision for doubtful accounts and for losses (Note 18)	475,749	(81,920)	(80)	—	393,749	517,951
	<u>36,763,079</u>	<u>57,213,215</u>	<u>25,846,143</u>	<u>531,720</u>	<u>120,354,157</u>	<u>361,862,717</u>
Excess (deficiency) of revenue over expenditure for the year	<u>198,028,787</u>	<u>40,228,245</u>	<u>(1,072,360)</u>	<u>(21,606)</u>	<u>237,163,066</u>	<u>111,327,471</u>
Recoverable by the Crop Reinsurance Fund of Canada for Alberta	—	—	—	—	—	(232,889)
Recoverable by the Crop Reinsurance Fund of Alberta	—	—	—	—	—	(1,235,948)
Recoverable by the Government of Canada	(89,048,931)	—	—	—	(89,048,931)	(94,424,726)
Recoverable from (by) the Province of Alberta	(95,670,216)	(4,812,822)	—	—	(100,483,038)	618,359
Recoverable by producers	(13,933,584)	—	—	—	(13,933,584)	—
	<u>(198,652,731)</u>	<u>(4,812,822)</u>	<u>—</u>	<u>—</u>	<u>(203,465,553)</u>	<u>(95,275,204)</u>
Surplus (deficit) for the year	(623,944)	35,415,423	(1,072,360)	(21,606)	33,697,513	16,052,267
Surplus at beginning of year	816,182	14,892,497	37,245,670	22,775	52,977,124	36,924,857
Surplus at end of year	<u>\$ 192,238</u>	<u>\$ 50,307,920</u>	<u>\$ 36,173,310</u>	<u>\$ 1,169</u>	<u>\$ 86,674,637</u>	<u>\$ 52,977,124</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED MARCH 31, 1995

	1995						1994
	Lending Division	Revenue Protection Fund	Crop Insurance Fund	Hail Insurance Fund	Wildlife Fund	Total	Total (Note 21)
Salaries and benefits	\$ 7,502,062	\$ 2,993,156	\$ 2,993,156	\$ 1,296,849	\$ 36,591	\$14,821,814	\$18,006,083
Adjusters' wages and benefits	—	1,279,673	1,570,041	327,316	13,393	3,190,423	3,960,502
Travel and automobile	294,886	853,894	1,046,069	249,034	16,016	2,459,899	2,980,679
Hail agents' commissions	—	—	—	1,899,263	—	1,899,263	1,150,656
Contracted services	1,295,570	167,078	169,306	89,805	2,043	1,723,802	1,385,499
Data processing	491,643	271,831	278,200	109,505	3,383	1,154,562	1,157,983
Office accommodation costs	90,105	354,788	354,888	345,402	4,337	1,149,520	1,089,260
Stationery and supplies	340,781	280,527	368,062	108,453	2,707	1,100,530	897,133
Amortization of capital	388,891	198,634	175,818	186,777	2,069	952,189	1,163,591
Equipment, rental and maintenance	156,668	73,362	73,362	31,748	897	336,037	456,026
Advertising	103,356	51,921	73,022	90,539	455	319,293	227,779
Postage and freight	41,744	112,373	112,373	48,731	1,374	316,595	348,657
Professional services	44,073	123,945	94,450	33,289	824	296,581	397,538
Collection commissions	8,895	127,220	94,415	14,943	17	245,490	502,601
Training, meetings, seminars, conferences	87,896	38,370	38,790	20,255	469	185,780	202,532
Telecommunications	63,640	49,369	48,664	15,550	672	177,895	200,293
Directors' fees and expenses	75,563	30,905	30,905	13,375	378	151,126	163,869
Grain grading	—	77,902	59,560	—	—	137,462	226,979
Bonding and insurance	19,131	15,175	15,175	8,864	186	58,531	44,721
Bank charges	7,779	8,134	8,134	3,520	99	27,666	52,141
1995 Totals	<u>\$11,012,683</u>	<u>\$ 7,108,257</u>	<u>\$ 7,604,390</u>	<u>\$ 4,893,218</u>	<u>\$ 85,910</u>	<u>\$30,704,458</u>	
1994 Totals	<u>\$13,668,780</u>	<u>\$ 8,244,529</u>	<u>\$ 9,366,048</u>	<u>\$ 3,194,546</u>	<u>\$ 140,619</u>		<u>\$34,614,522</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salary and Wages ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals	Total (Note 21)
Chair	1	\$ 25,852	\$ 599	\$ 26,451	1	\$ 28,174
Board members	8	70,705	1,057	71,762	11	94,207
Subtotal ⁽³⁾	9	96,557	1,656	98,213	12	122,381
President and Managing Director	1	98,100	25,430	123,530	1	124,947
Vice President, Finance and Administration	1	88,410	17,543	105,953	1	100,671
Vice President, Insurance Operations	1	62,532	22,000	84,532	1	96,443
Vice President, Lending Operations	1	73,848	13,600	87,448	1	89,207
Vice President, Research and Program Development	1	71,871	9,773	81,644	1	85,172
Other management employees (average 1995 \$71,650, 1994 \$71,780)	21	1,271,311	233,355	1,504,666	24	1,722,741
Other salaried staff (average 1995 \$40,760, 1994 \$41,126)	270	9,569,064	1,436,151	11,005,215	302	12,420,124
Non-salaried staff		1,118,007	188,130	1,306,137		1,445,758
Subtotal		12,353,143	1,945,982	14,299,125		16,085,063
Adjusters		2,709,469	480,954	3,190,423		3,960,502
Total before retiring allowances		15,159,169	2,428,592	17,587,761		20,167,946
Retiring allowances		—	341,689	341,689		1,518,094
Unfunded pension costs		—	181,000	181,000		47,000
Relocation costs		—	—	—		335,926
Total		<u>\$15,159,169</u>	<u>\$ 2,951,281</u>	<u>\$18,110,450</u>		<u>\$22,068,966</u>

(1) Salary and wages include fees for Chair and Board members and regular base pay and overtime for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, dental coverage, group life insurance, pensions, unemployment insurance, accidental disability and dismemberment insurance, long-term disability, travel and accident insurance, living allowance, professional memberships and vacation payouts. Employer pension costs are included in benefits and allowances. No amount is included in the benefits and allowances figure for an automobile provided to the President and Managing Director.

(3) Directors fees of \$98,213 (1994 \$122,381) shown above plus expenses of \$52,913 (1994 \$41,488) for a total of \$151,126 (1994 \$163,869) are shown in Schedule 2 as Directors fees and expenses.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Unexpended Funds
Notes to the Financial Statements
Schedule of Research Grants and Administered Awards
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Members of the Board of the
Alberta Agricultural Research Institute

I have audited the balance sheet of the Alberta Agricultural Research Institute as at March 31, 1995 and the statement of revenue, expenditure and unexpended funds for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

ALBERTA AGRICULTURAL RESEARCH INSTITUTE
BALANCE SHEET
AS AT MARCH 31, 1995

	1995		1994
	Budget (Note 8)	Actual	Actual
ASSETS			
Cash	\$2,460,457	\$3,547,859	\$3,074,090
Due from the Province of Alberta	1,000	240,049	1,310
Due from Sponsor	—	20,020	7,500
Due from the Government of Canada	—	—	70,000
	<u>\$2,461,457</u>	<u>\$3,807,928</u>	<u>\$3,152,900</u>
LIABILITIES AND UNEXPENDED FUNDS			
Accounts payable and unearned revenue (Note 3)	\$1,659,550	\$2,460,260	\$1,676,540
Unexpended funds (Note 4)	801,907	1,347,668	1,476,360
	<u>\$2,461,457</u>	<u>\$3,807,928</u>	<u>\$3,152,900</u>

The accompanying notes and schedules
are part of these financial statements.

ALBERTA AGRICULTURAL RESEARCH INSTITUTE
STATEMENT OF REVENUE, EXPENDITURE AND UNEXPENDED FUNDS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 8)	Actual	Actual
REVENUE			
Province of Alberta:			
Alberta Heritage Savings Trust Fund	\$4,800,000	\$4,800,000	\$5,000,000
General Revenue Fund	1,800,000	1,850,000	860,000
Canada/Alberta Environmentally Sustainable Agriculture	154,700	312,039	207,300
Contributions from sponsors	200,000	294,402	205,539
Contributions from Agriculture & Agri-Food Canada	200,000	279,651	52,111
Interest	225,000	185,587	201,895
Barley Development Program	2,500	38,806	2,127
Administration fees on contracted research	5,000	20,369	6,593
Other	—	38	367
	<u>7,387,200</u>	<u>7,780,892</u>	<u>6,535,932</u>
EXPENDITURE			
Research grants and administered awards, Schedule 1	6,419,453	6,049,896	5,572,786
Demonstration grants	600,000	567,830	558,657
Administration	425,000	359,700	342,157
Canada/Alberta Environmentally Sustainable Agriculture	154,700	312,039	207,300
Sponsored research (Note 5)	200,000	294,402	205,539
Agriculture & Agri-Food Canada	200,000	279,651	52,111
Barley Development Program	2,500	—	—
Information transfer (Note 6)	40,000	37,766	59,075
Conference	20,000	8,300	—
	<u>8,061,653</u>	<u>7,909,584</u>	<u>6,997,625</u>
Deficiency of revenue over expenditure	(674,453)	(128,692)	(461,693)
Unexpended funds at beginning of year	1,476,360	1,476,360	1,938,053
Unexpended funds at end of year	<u>\$ 801,907</u>	<u>\$1,347,668</u>	<u>\$1,476,360</u>

ALBERTA AGRICULTURAL RESEARCH INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Agricultural Research Institute (the "Institute"), operates as a provincial corporation under the authority of the Alberta Agricultural Research Institute Act, Chapter A-13.7, 1987, Statutes of Alberta 1987 as amended.

The purpose of the Institute is to promote, coordinate, prioritize and support agricultural research ensuring transfer of the resulting knowledge for the benefit of a viable and sustainable agri-food industry.

Note 2 Significant Accounting Policies

Contributions from the Province of Alberta

Contributions from the Province of Alberta are subject to the approval of annual appropriations and are recorded in the year for which they are approved. The Institute may be required to refund unexpended portions of contributions held at the end of a fiscal year.

Contributions from Sponsors

Contributions from sponsors represent cash donations to the Institute for specific research projects and do not include donations in-kind.

Research Grants and Administered Awards

Research grants and administered awards are recorded as expenditure when approved for payment by the Board of Directors.

Expenditures

Administration costs include the cost of pension obligations earned by employees during the year and interest on the portion of unfunded pension liabilities which the Institute is required to fund.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Accounts Payable and Unearned Revenue

Accounts payable and unearned revenue include the portion of unfunded pension liabilities for which the Institute is responsible.

The Institute participates with other employers in the Public Service Pension plan. This plan provides pensions for the Institute's employees based on years of service and earnings.

The Institute had an unfunded pension liability as at March 31, which was estimated at \$51,000 (1994 \$26,000).

The total unfunded pension liability for the plan as at March 31, 1995 was determined by an actuarial valuation as at December 31, 1993, extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability which will be funded by employers. The Institute's portion of those employers' liabilities was based on the Institute's percentage of the total pensionable payroll of all employers.

Note 4 Commitment

The Institute is a participant in the Alberta/Canada Barley Development Agreement (the "Agreement"). The terms of this Agreement require all monies the Institute receives under the Agreement, to be used for the Barley Development Program.

At March 31, 1995, monies received in excess of Program costs amounted to \$40,933.

Note 5 Sponsored Research

Specific research projects are carried out in co-operation with the Alberta Department of Agriculture, Food and Rural Development researchers, and are funded by industry and other Provincial government sponsors.

Note 6 Information Transfer

Information transfer includes costs directly related to the transfer of technology and dissemination of the information arising from Institute activities.

Note 7 Related Party Transactions

Certain salaries and other overhead costs, as well as accommodation costs incurred in the administration of the Institute, estimated at \$179,256, are borne by the General Revenue Fund. Certain research and development costs related to the Barley Development Program are paid by the Department of Agriculture, Food and Rural Development. These amounts are not reflected in these financial statements.

Note 8 Budget

The 1994-95 budget was approved by the Board of Directors in April 1994.

Note 9 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

ALBERTA AGRICULTURAL RESEARCH INSTITUTE SCHEDULE OF RESEARCH GRANTS AND ADMINISTERED AWARDS FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Farming for the Future Program	\$3,538,300	\$3,883,495
Matching Grants Program	1,806,339	1,264,104
Professorship Program	320,000	170,000
National Agricultural Biotechnology Initiative	290,000	206,200
Professorship research	70,000	27,748
Research Coordination Program	22,257	21,239
Scientific conference	3,000	—
	<u>\$6,049,896</u>	<u>\$5,572,786</u>

Schedule 2

ALBERTA AGRICULTURAL RESEARCH INSTITUTE SCHEDULE OF SALARIES AND BENEFITS FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 15,000	\$ 123	\$ 15,123	1	\$ 12,865
Board members ⁽³⁾	17	15,958	—	15,958	17	22,629
Salaried staff ⁽⁴⁾ (average 1995 \$33,080, 1994 \$33,596)	7	198,062	33,497	231,559	7	235,175
		<u>\$229,020</u>	<u>\$ 33,620</u>	262,640		270,669
Other administration costs				97,060		71,488
Total administration costs				<u>\$359,700</u>		<u>\$342,157</u>
Research project staff ⁽⁵⁾ (average 1995 \$28,445, 1994 \$28,130)	27	\$693,218	\$ 74,798	\$768,016	21	\$590,739

(1) Salary includes regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration.

(2) Benefits and allowances includes the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, long and short-term disability plans, professional memberships and tuition.

(3) Includes all meetings (Board, research committees, strategic committees, other).

(4) (a) Includes administrative staff only.

(b) No management staff are employed by the Institute. Management is provided by the Department of Agriculture, Food and Rural Development.

(5) The cost of research project staff is recorded as part of research grants and administered awards.

ALBERTA DAIRY CONTROL BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Retained Earnings
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Trust Transactions
Schedule of Honoraria, Salaries and Employee Benefits

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the balance sheet of the Alberta Dairy Control Board as at March 31, 1995 and the statements of revenue, expenditure and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 25, 1995

ALBERTA DAIRY CONTROL BOARD
BALANCE SHEET
AS AT MARCH 31, 1995

	1995		1994
	Budget	Actual	Actual
	(Note 11)		
ASSETS			
Operating:			
Current:			
Cash	\$1,048,598	\$1,348,729	\$1,138,941
Due from processors, producers and others (Note 3)	474,700	1,117,451	952,065
Prepaid expenses	—	35	—
	<u>1,523,298</u>	<u>2,466,215</u>	<u>2,091,006</u>
Due from Province of Alberta	—	—	34,376
Capital assets (Note 4)	62,100	62,459	93,297
Equipment under capital leases (Note 4)	12,700	15,033	11,114
	<u>1,598,098</u>	<u>2,543,707</u>	<u>2,229,793</u>
Trust: (Note 5)			
Cash	25,000	20,902	485,686
Due from processors and producers, Schedule 1	1,555,000	3,866,507	1,606,684
	<u>1,580,000</u>	<u>3,887,409</u>	<u>2,092,370</u>
	<u>\$3,178,098</u>	<u>\$6,431,116</u>	<u>\$4,322,163</u>
LIABILITIES AND RETAINED EARNINGS			
Operating:			
Current:			
Due to processors and producers (Note 6)	\$ 419,057	\$1,177,625	\$ 940,568
Due to Province of Alberta	42,600	33,455	31,190
Accounts payable and accruals	55,000	86,346	68,122
Current portion of obligation under capital leases (Note 7)	2,400	2,861	2,613
	<u>519,057</u>	<u>1,300,287</u>	<u>1,042,493</u>
Obligation under capital leases (Note 7)	11,000	12,510	8,752
Pension liability (Note 8)	—	138,034	137,507
Retained earnings	1,046,798	1,081,183	1,020,798
Quota exchange reserve (Note 9)	21,243	11,693	20,243
	<u>1,598,098</u>	<u>2,543,707</u>	<u>2,229,793</u>
Trust liabilities, Schedule 1	1,580,000	3,887,409	2,092,370
	<u>\$3,178,098</u>	<u>\$6,431,116</u>	<u>\$4,322,163</u>
The accompanying notes and schedules are part of these financial statements.			

ALBERTA DAIRY CONTROL BOARD
STATEMENT OF REVENUE, EXPENDITURE AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 11)		
REVENUE			
Producer assessments	\$ 394,838	\$ 421,542	\$ 397,493
Processor assessments	196,950	210,123	198,245
Government contribution to administration costs (Note 10)	162,000	170,903	176,269
Gain on disposal of assets	—	437	369
	<u>753,788</u>	<u>803,005</u>	<u>772,376</u>
EXPENDITURE			
Honoraria, salaries and employee benefits, Schedule 2	454,761	485,843	524,224
Travel and conference fees	135,000	136,831	85,158
Amortization	44,584	43,225	37,608
General office	36,338	37,312	32,014
Grants	39,000	33,899	36,368
Quota exchange transfers (Note 9)	(1,000)	8,550	20,906
Data processing	18,105	5,510	8,153
Data processing equipment and software	—	—	1,392
	<u>726,788</u>	<u>751,170</u>	<u>745,823</u>
Excess of revenue over expenditure for the year	27,000	51,835	26,553
Appropriation from (to) quota exchange reserve (Note 9)	(1,000)	8,550	20,906
	26,000	60,385	47,459
Retained earnings at beginning of year	1,020,798	1,020,798	973,339
Retained earnings at end of year	<u>\$1,046,798</u>	<u>\$1,081,183</u>	<u>\$1,020,798</u>

ALBERTA DAIRY CONTROL BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 11)		
Cash provided by (used in):			
Operating activities:			
Excess of revenue over expenditure for the year	\$ 27,000	\$ 51,835	\$ 26,553
Items not involving cash:			
Amortization	44,584	43,225	37,608
Gain on disposal of assets	—	(437)	(369)
Increase in pension liability	—	527	35,817
	<u>71,584</u>	<u>95,150</u>	<u>99,609</u>
Net change in non-cash operating working capital items:			
(Increase) decrease in due from processors, producers and others	511,741	(165,386)	(513,220)
(Increase) decrease in prepaid expenses	—	(35)	884
Increase (decrease) in due to processors and producers	(660,730)	237,057	512,936
Increase (decrease) in due to Province of Alberta	—	2,265	(33,825)
Increase in accounts payable and accruals	—	18,224	21,258
Cash provided by (used in) operating activities	<u>(77,405)</u>	<u>187,275</u>	<u>87,642</u>
Investing activities:			
Purchase of capital assets	(14,973)	(16,383)	(27,042)
Proceeds on sale of capital assets	—	514	5,024
Cash used in investing activities	<u>(14,973)</u>	<u>(15,869)</u>	<u>(22,018)</u>
Financing activities:			
Increase in obligation under capital leases	2,035	4,006	7,407
Decrease (increase) in due from Province of Alberta	—	34,376	(34,376)
Cash provided by (used in) financing activities	<u>2,035</u>	<u>38,382</u>	<u>(26,969)</u>
Increase (decrease) in cash	<u>(90,343)</u>	<u>209,788</u>	<u>38,655</u>
Cash at beginning of year	1,138,941	1,138,941	1,100,286
Cash at end of year	<u>\$1,048,598</u>	<u>\$1,348,729</u>	<u>\$1,138,941</u>

ALBERTA DAIRY CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 1980, as amended.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Accounting Policies

Amortization

Capital assets are amortized on a straight-line basis over the estimated useful life of the assets at the following rates:

Office furniture and equipment	3 years
Communication equipment	3 years
Software development	5 years
Computer hardware and equipment	3 and 5 years

Equipment acquired under a capital lease is amortized on a straight-line basis over the economic life of the asset.

Expenditure

Honoraria, salaries and employee benefits include the cost of pension obligations earned by employees during the year and interest on the portion of unfunded pension liabilities that the Board has agreed to fund.

Liabilities

Liabilities include the portion of unfunded pension liabilities for which the Board is responsible.

Note 3 Due from Processors, Producers and Others

	1995	1994
Quota exchange	\$1,060,462	\$ 898,496
Assessments	54,950	53,569
Others	2,039	—
	<u>\$1,117,451</u>	<u>\$ 952,065</u>

Note 4 Capital Assets and Equipment Under Capital Leases

	1995		1994	
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$ —	\$ —	\$ —	\$ 67
Communication equipment	—	—	—	119
Software development	146,719	98,823	47,896	74,908
Computer hardware and equipment	31,398	16,835	14,563	18,203
	<u>178,117</u>	<u>115,658</u>	<u>62,459</u>	<u>93,297</u>
Office equipment under capital leases	18,594	3,561	15,033	11,114
	<u>\$196,711</u>	<u>\$119,219</u>	<u>\$ 77,492</u>	<u>\$104,411</u>

Note 5 Trust (see Schedule 1)

Under the National Milk Marketing Plan, the Board collects levies from processors on behalf of producers and forwards the levies to the Canadian Dairy Commission (the "CDC"), a portion of which may be refunded to producers under certain conditions. During 1994-95 \$933,616 was received from CDC, of which \$933,581 was refunded to producers. These amounts are included in Amounts received and Amounts paid out, respectively, on Schedule 1.

The Board has an agreement to collect levies for milk promotion and education on behalf of the Alberta Milk Producers Society and the Dairy Nutrition Council of Alberta.

Under section 38 of the Dairy Control Board Regulation, 1979, the Board is required to operate a price equalization mechanism whereby all producers receive a fair price for their milk production.

Note 6 Due to Processors and Producers

	1995	1994
Quota exchange	\$1,173,425	\$ 937,068
Other	4,200	3,500
	<u>\$1,177,625</u>	<u>\$ 940,568</u>

Note 7 Obligation Under Capital Leases

Future minimum payments under capital leases are as follows:

	1995	1994
1995	\$ —	\$ 3,803
1996	4,419	2,739
1997	4,419	2,739
1998	4,419	5,479
Thereafter	6,380	—
	<u>19,637</u>	<u>14,760</u>
Less amount representing interest	4,266	3,395
	<u>15,371</u>	<u>11,365</u>
Less current portion	2,861	2,613
	<u>\$12,510</u>	<u>\$ 8,752</u>

Interest is imputed at 9.6% and 11.6%.

Note 8 Pension Liability

The Alberta Dairy Control Board participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Board's employees based on years of service and earnings.

The Board had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995	1994
Public Service	\$ 23,209	\$ 20,307
Management Employees	114,825	117,200
	<u>\$138,034</u>	<u>\$137,507</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Board's portion of those employers' liabilities was based on the Board's percentage of the total pensionable payroll of all employers.

Note 9 Quota Exchange

The Quota Exchange Reserve represents surpluses occurring on transfers of quotas and will be used to cover any future Quota Exchange transaction deficiencies.

	1995	1994
Sales of quota	\$8,376,023	\$6,462,505
Purchases of quota	8,384,573	6,483,411
Appropriation in current year	(8,550)	(20,906)
Reserve at beginning of year	20,243	41,149
Reserve at end of year	<u>\$ 11,693</u>	<u>\$ 20,243</u>

Note 10 Related Party Transactions

Administration costs

In addition to the government contribution which funds 25% of certain administration costs, the General Revenue Fund of the Province of Alberta bears the cost of the following:

Administrative services	- legal, audit, personnel, and financial.
Accommodation costs	- office space, basic utilities, repairs, maintenance, RITE telephone system, office furniture and certain office equipment. This cost has been estimated at \$18,138 for the 1995 fiscal year.

Licence fee income and interest on cash deposits

Licence fee income, and interest from cash deposits in the Consolidated Cash Investment Trust Fund, are credited directly to the General Revenue Fund of the Province of Alberta.

Note 11 Budget

The 1994-95 budget was approved by the Board of Directors on June 27, 1994.

Note 12 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 13 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

**ALBERTA DAIRY CONTROL BOARD
SCHEDULE OF TRUST TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 1995**

	1995					1994
	Canadian Dairy Commission	Alberta Milk Producers Society	Dairy Nutrition Council of Alberta	Price Equalization	Total	Total
Trust liabilities at beginning of year	\$ 1,042,161	\$ 339,714	\$ 28,708	\$ 681,787	\$ 2,092,370	\$ 1,337,265
Add:						
Amounts received	14,546,685	3,942,228	315,378	5,768,852	24,573,143	22,953,227
Amounts receivable	2,868,939	369,976	29,598	597,994	3,866,507	1,606,684
	18,457,785	4,651,918	373,684	7,048,633	30,532,020	25,897,176
Less amounts paid out	15,585,311	4,281,942	344,086	6,433,272	26,644,611	23,804,806
Trust liabilities at end of year	<u>\$ 2,872,474</u>	<u>\$ 369,976</u>	<u>\$ 29,598</u>	<u>\$ 615,361</u>	<u>\$ 3,887,409</u>	<u>\$ 2,092,370</u>

Schedule 2

**ALBERTA DAIRY CONTROL BOARD
SCHEDULE OF HONORARIA, SALARIES AND EMPLOYEE BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995**

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 75,400	\$ 10,342	\$ 85,742	1	\$ 90,381
Board members	4	12,690	—	12,690	4	12,300
Policy Committee members	8	3,583	—	3,583	8	2,020
Secretary/Manager	1	64,441	10,633	75,074	1	78,231
Senior Business and Financial Analyst	1	51,953	9,860	61,813	1	64,321
Other salaried staff (average 1995 \$30,058, 1994 \$31,381)	7	176,268	34,138	210,406	7	219,667
Non-salaried staff ⁽³⁾		19,903	1,708	21,611		28,100
Long-term disability staff		—	9,279	9,279		7,889
Vacation accrual adjustment		—	5,645	5,645		19,394
Pension costs related to prior years		—	—	—		1,921
		<u>\$404,238</u>	<u>\$ 81,605</u>	<u>\$485,843</u>		<u>\$524,224</u>

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.

(2) Benefits and allowances includes the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

(3) Non-salaried staff includes all wage staff and others remunerated on an hourly basis.

ALBERTA FOUNDATION FOR THE ARTS
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balance
Statement of Equity in Artworks
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Administration Expenditure

AUDITOR'S REPORT

To the Members of the Alberta
Foundation for the Arts

I have audited the balance sheet of the Alberta Foundation for the Arts as at March 31, 1995 and the statements of revenue, expenditure and fund balance, equity in artworks and changes in financial position for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 5, 1995

ALBERTA FOUNDATION FOR THE ARTS
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash (Note 5)	\$ 3,407,122	\$ 4,335,451
Short-term investments	50,000	599,687
Accrued interest	150,499	159,552
Accounts receivable and prepaid expenses	21,085	16,671
Loans and advances	619,999	431,985
	<u>4,248,705</u>	<u>5,543,346</u>
Investments (Note 6)	<u>2,687,057</u>	<u>2,698,799</u>
Capital assets (Note 7)	<u>57,204</u>	<u>75,549</u>
Artworks:		
Purchased	3,605,084	3,288,009
Donated	857,676	566,881
	<u>4,462,760</u>	<u>3,854,890</u>
	<u>\$11,455,726</u>	<u>\$12,172,584</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Grants payable:		
Alberta Sport, Recreation, Parks and Wildlife Foundation (Note 8)	\$ 80,500	\$ —
Others	566,786	16,030
Accounts payable	76,787	17,258
	<u>724,073</u>	<u>33,288</u>
Long-term grant payable (Note 9)	<u>2,000,000</u>	<u>—</u>
Equity:		
Fund balance	1,402,147	1,417,660
Equity in artworks	4,462,760	3,854,890
General reserve (Note 10)	2,866,746	6,866,746
	<u>8,731,653</u>	<u>12,139,296</u>
	<u>\$11,455,726</u>	<u>\$12,172,584</u>

The accompanying notes and schedule
are part of these financial statements.

ALBERTA FOUNDATION FOR THE ARTS
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u> (Note 3)
REVENUE			
Contribution from the Lottery Fund	\$16,104,000	\$16,104,000	\$16,072,050
Interest	500,000	630,462	619,737
Donation	—	500,000	—
Miscellaneous	1,000	2,447	10,837
	<u>16,605,000</u>	<u>17,236,909</u>	<u>16,702,624</u>
EXPENDITURE			
Grant programs:			
Operating assistance (Note 12)	13,294,100	13,114,271	13,359,888
Special (Note 13)	—	4,000,000	—
Project support (Note 14)	2,723,000	2,364,189	2,377,339
Other	25,500	482,000	21,500
	<u>16,042,600</u>	<u>19,960,460</u>	<u>15,758,727</u>
Art programs:			
Summer schools	251,600	258,093	239,764
Provincial travelling exhibition	217,600	228,505	244,210
Maintenance	35,000	29,044	18,739
Promotion	120,000	4,425	203,358
Miscellaneous	41,300	5,006	5,683
	<u>665,500</u>	<u>525,073</u>	<u>711,754</u>
Administration (Schedule 1)	560,500	449,814	494,732
	<u>17,268,600</u>	<u>20,935,347</u>	<u>16,965,213</u>
Deficiency of revenue over expenditure for the year, as restated	(663,600)	(3,698,438)	(262,589)
Artwork purchases transferred to equity in artworks	(338,293)	(317,075)	(270,365)
Transfer from general reserve (Note 10)	—	4,000,000	200,000
Change in fund balance during the year	<u>\$ (1,001,893)</u>	<u>(15,513)</u>	<u>(332,954)</u>
Fund balance at beginning of year		1,417,660	1,750,614
Fund balance at end of year		<u>\$ 1,402,147</u>	<u>\$ 1,417,660</u>

ALBERTA FOUNDATION FOR THE ARTS
STATEMENT OF EQUITY IN ARTWORKS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u>
Equity in artworks at beginning of year	\$3,854,890	\$3,854,890	\$3,508,263
Acquisitions:			
Purchased	338,293	317,075	270,365
Donated	—	290,795	76,762
	<u>\$4,193,183</u>	<u>4,462,760</u>	<u>3,855,390</u>
Disposals		—	500
Equity in artworks at end of year		<u>\$4,462,760</u>	<u>\$3,854,890</u>

ALBERTA FOUNDATION FOR THE ARTS
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994 (Note 3)
Operating activities:		
Deficiency of revenue over expenditure for the year	\$(3,698,438)	\$ (262,589)
Add (deduct) non-cash items:		
Amortization of capital assets	28,329	30,766
Amortization of discount on investments	(258)	(700)
Cost of artwork disposal	—	(500)
	<u>(3,670,367)</u>	<u>(233,023)</u>
Decrease (increase) in non-cash working capital	507,410	(224,384)
Increase in long-term grant payable	2,000,000	—
Cash used in operating activities	<u>(1,162,957)</u>	<u>(457,407)</u>
Investing activities:		
Acquisitions of artworks	(607,870)	(347,127)
Increase in investments	(38,000)	(300,000)
Proceeds from disposal of investments	50,000	599,687
Acquisitions of capital assets	(9,984)	(16,657)
Proceeds from settlement for lost artwork	—	500
Cash used in investing activities	<u>(605,854)</u>	<u>(63,597)</u>
Financing activity:		
Donations of artworks	290,795	76,762
Decrease in cash and short-term investments	<u>(1,478,016)</u>	<u>(444,242)</u>
Cash and short-term investments at beginning of year	4,935,138	5,379,380
Cash and short-term investments at end of year	<u>\$ 3,457,122</u>	<u>\$ 4,935,138</u>

ALBERTA FOUNDATION FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Foundation for the Arts (the "Foundation") operates under the authority of the Alberta Foundation for the Arts Act, Chapter A-21.5, Statutes of Alberta 1991.

The purposes of the Foundation are:

- to support and contribute to the development of and to promote the arts in Alberta;
- to provide persons and organizations with the opportunity to participate in the arts in Alberta;
- to foster and promote the enjoyment of works of art by Alberta artists;
- to collect, preserve and display works of art by Alberta artists; and
- to encourage artists resident in Alberta in their work.

Note 2 Significant Accounting Policies and Reporting Practices

Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

Investments

Investments are recorded at cost or amortized cost, where applicable. Amortization of premium or discount is calculated on a straight-line basis from acquisition date to maturity date. Where there has been a loss in the value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the capital assets on a straight-line basis using the following annual rates:

Office furniture and equipment	15%
Computer equipment	25%

Artworks

Purchased artworks are recorded at cost. Donated artworks are recorded as direct increases in equity in artworks at appraised values at the date of acquisition.

Expenditure

Grants are recorded as expenditure when authorized by the Board and when eligibility conditions for the grants have been satisfied.

Note 3 Change in Accounting Policy

The Foundation has changed its accounting policy for recording purchases of artworks. Previously, purchases of artworks were charged to operations as expenditure in the year of acquisition.

Under the new policy, purchased artworks are not expensed but are recorded as a transfer to equity in artworks. This change in accounting policy has been applied retroactively, and accordingly the 1994 figures have been restated. The effect of this change is a decrease in expenditure and in the deficiency of revenue over expenditure for the year of \$317,075 (1994 \$270,365). This change has had no effect on the balance sheet.

Note 4 Administration Costs

Certain salary costs, estimated to be approximately \$435,000, accommodation and other overhead costs incurred in the administration of the Foundation have not been included in the Foundation's expenditure. These costs are incurred and recorded by the General Revenue Fund of the Province of Alberta.

Note 5 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Foundation earns interest on the daily cash balance at the average rate of interest earned by the Consolidated Cash Investment Trust Fund.

Note 6 Investments

Investments consist of the following:

	1995		1994	
	Cost	Market Value	Cost	Market Value
Bonds:				
Government of Canada	\$ 449,057	\$ 471,270	\$ 448,799	\$ 487,574
Province of Alberta	—	—	50,000	50,000
	<u>449,057</u>	<u>471,270</u>	<u>498,799</u>	<u>537,574</u>
Deposits with financial institutions and life insurance companies	2,238,000	2,238,000	2,200,000	2,200,000
	<u>\$2,687,057</u>	<u>\$2,709,270</u>	<u>\$2,698,799</u>	<u>\$2,737,574</u>

The deposits can be realized without penalty only on maturity dates which range from November 3, 1997 to December 6, 2000.

Note 7 Capital Assets

Capital assets consist of the following:

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 64,312	\$ 45,101	\$ 19,211	\$ 29,485
Computer equipment	104,788	75,420	29,368	37,439
Furnishings	8,625	—	8,625	8,625
	<u>\$177,725</u>	<u>\$120,521</u>	<u>\$ 57,204</u>	<u>\$ 75,549</u>

Note 8 Grant Payable to the Alberta Sport, Recreation, Parks and Wildlife Foundation

The \$80,500 payable to the Alberta Sport, Recreation, Parks and Wildlife Foundation is for a grant for staging a cultural component at the Alberta Games.

Note 9 Long-term Grant Payable

The Foundation has signed an agreement to give \$2,500,000 over a period of three to five years to the Alberta Performing Arts Stabilization Fund, a corporation that will provide grants and technical and management assistance to performing arts organizations in Alberta. The amount to be paid in 1995-96 has been recorded as a current liability.

Note 10 General Reserve

The general reserve has been established by appropriations from the fund balance to provide a long-term autonomous source of future funding.

The reserve is not available to the Foundation for use in its operations unless written approval is received from the Minister of Community Development. Interest earned on the reserve amount is reported as operating revenue.

	1995	1994
Balance at beginning of year	\$6,866,746	\$7,066,746
Transfer to fund balance	4,000,000	200,000
Balance at end of year	<u>\$2,866,746</u>	<u>\$6,866,746</u>

The Minister authorized the transfer of \$4 million to enable the Foundation to make grants to the Alberta Performing Arts Stabilization Fund, to major performing arts facilities and to cultural industry organizations (see Note 13).

Note 11 Budget

The 1994-95 budget was approved by the Board on May 5, 1994.

Note 12 Operating Assistance Grants

Operating assistance grants are mainly paid to organizations to assist them in meeting a portion of their operating expenditure. The Foundation's grants enable organizations to carry out their mandates and to attract other funding. The grants have been paid to organizations in the following major groupings:

	1995		1994
	Budget	Actual	Actual
	(Note 11)		
Professional performing arts organizations	\$ 5,519,000	\$ 5,512,191	\$ 5,422,373
Major facilities	1,466,000	1,466,000	1,504,000
Art galleries	1,446,000	1,415,362	1,446,000
Provincial organizations	1,036,300	1,076,989	1,047,500
Amateur operating assistance	900,000	890,467	934,485
Film and video	705,000	699,000	800,000
Community series	770,000	719,575	749,269
Festivals	776,000	718,408	754,891
Publishing	452,800	438,149	426,870
Literary organizations	98,000	97,630	105,000
Alberta Games - cultural component	125,000	80,500	169,500
	<u>\$13,294,100</u>	<u>\$13,114,271</u>	<u>\$13,359,888</u>

Note 13 Special Grants

Special grants were made in response to the critical needs identified for some cultural organizations. The Board and the Minister of Community Development have approved the following unbudgeted grants in 1995:

Alberta Performing Arts Stabilization Fund	\$2,500,000
Major facilities:	
Calgary Centre for the Performing Arts	500,000
The Citadel Theatre	500,000
Cultural industry organizations:	
Alberta Motion Picture Industries Association	175,000
Book Publishers Association of Alberta	175,000
Alberta Magazine Publishers Association	75,000
Alberta Recording Industry Association	75,000
	<u>\$4,000,000</u>

Note 14 Project Support Grants

Project support grants are paid to individuals and organizations to meet a portion of the expenditure required to complete specific projects. The grants have been paid in the following major groupings:

	1995		1994
	Budget (Note 11)	Actual	Actual
Performing arts	\$ 667,000	\$ 667,895	\$ 694,440
Visual arts	399,000	360,276	336,600
Educational touring	239,000	259,164	218,699
Writers	270,000	231,982	262,891
Art study	143,000	171,791	149,514
Literary	168,000	136,543	163,306
Artists in schools residency	160,000	131,690	87,500
Film and video projects	127,000	118,653	122,254
Libraries	100,000	101,545	111,735
Commissioning public art	150,000	91,670	119,025
Alberta Heritage Scholarship Fund	100,000	50,000	25,000
In-Province touring	100,000	42,980	86,375
Public art purchase	100,000	—	—
	<u>\$2,723,000</u>	<u>\$2,364,189</u>	<u>\$2,377,339</u>

Note 15 Salaries, Honoraria and Benefits

Salaries and benefits paid to employees and honoraria paid to board members and adjudicators are as follows:

	1995				1994	
	Number of Individuals	Salaries and Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Number of Individuals	Total
Board ^(c) :						
Chairman	1	\$ 10,895	\$ —	\$ 10,895	1	\$ 12,405
Other members	9	16,235	—	16,235	9	30,710
Board honoraria		27,130	—	27,130		43,115
Adjudicators' fees ^(d) (average 1995 \$485, 1994 \$421)	83	40,276	—	40,276	94	39,547
	Full-time Equivalents				Full-time Equivalents	
Executive Director ^(e)	1.00	—	—	—	1.00	—
Administrator	1.00	45,819	4,137	49,956	1.00	50,124
Other salaried staff (average 1995 \$35,217, 1994 \$33,801)	3.83	123,061	11,820	134,881	5.15	174,075
Non-salaried staff		10,192	956	11,148		6,557
		179,072	16,913	195,985		230,756
Increase (reduction) in accrued vacation pay		2,423	—	2,423		(2,575)
Staff salaries, benefits and allowances		181,495	16,913	198,408		228,181
		<u>\$248,901</u>	<u>\$ 16,913</u>	<u>\$265,814</u>		<u>\$310,843</u>

^(a) Salaries and honoraria include regular pay, overtime, and any other direct cash remuneration.

^(b) Benefits and allowances include the Foundation's contributions for unemployment insurance, Canada Pension Plan, health care premiums, disability insurance, workers compensation and vacation payments.

^(c) The Chairman, and members appointed to the Board prior to November 1, 1993, are paid for attending Board meetings at rates set by a Ministerial Order. They are also paid for sub-committee meetings, travel time to attend out-of-town meetings and for attending to other Board duties. Members, other than the Chairman, appointed to the Board subsequent to October 31, 1993, do not receive any compensation.

^(d) Adjudicators are paid an honorarium on a per diem basis. No adjudicator received more than \$1,500 in the year.

^(e) The Executive Director of the Foundation is paid by the General Revenue Fund, Department of Community Development (see Note 4).

Note 16 Commitments

At March 31, 1995, the Foundation had commitments for grants approved but not disbursed, pending fulfilment of eligibility conditions, amounting to \$939,913.

Note 17 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 18 Approval of Financial Statements

These financial statements have been approved by management and by the Chairman of the Foundation.

Schedule 1

ALBERTA FOUNDATION FOR THE ARTS
SCHEDULE OF ADMINISTRATION EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 11)		
Salaries, honoraria and benefits (Note 15):			
Staff salaries, benefits and allowances	\$235,000	\$198,408	\$228,181
Board honoraria	35,000	27,130	43,115
Adjudicators' fees	<u>50,000</u>	<u>40,276</u>	<u>39,547</u>
	320,000	265,814	310,843
Office and other	114,500	64,679	72,999
Board travel and subsistence	55,000	32,090	42,943
Amortization of capital assets	—	28,329	30,766
Adjudicators' travel and subsistence	25,000	21,661	18,553
Technical and professional fees	38,000	30,791	15,441
Staff travel, subsistence and development	<u>8,000</u>	<u>6,450</u>	<u>3,187</u>
	<u>\$560,500</u>	<u>\$449,814</u>	<u>\$494,732</u>

THE ALBERTA HISTORICAL RESOURCES FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balances
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Directors of The Alberta
Historical Resources Foundation

I have audited the balance sheet of The Alberta Historical Resources Foundation as at March 31, 1995 and the statements of revenue, expenditure and fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

THE ALBERTA HISTORICAL RESOURCES FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash	\$6,106,856	\$5,402,547
Accounts receivable	114,241	1,051
Inventory	6,698	7,249
Prepaid expenses	<u>2,876</u>	<u>2,855</u>
	6,230,671	5,413,702
Cash appropriated for non-current uses	225,000	225,000
Capital assets (Note 4)	12,918	12,928
Historical assets (Note 5)	<u>3,284</u>	<u>3,284</u>
	<u>\$6,471,873</u>	<u>\$5,654,914</u>
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Grants payable	\$ 98,337	\$ 86,316
Accounts payable	<u>30,438</u>	<u>14,839</u>
	128,775	101,155
Fund balances:		
Restricted funds:		
Western Heritage Center (Note 6)	3,560,650	3,352,699
Capital projects	28,187	47,649
Roger Soderstrom Fellowship (Note 7)	<u>30,254</u>	<u>32,442</u>
	3,619,091	3,432,790
Unrestricted fund:		
Operating	<u>2,520,723</u>	<u>1,917,685</u>
	6,139,814	5,350,475
Reserve (Note 8)	200,000	200,000
Equity in historical assets	<u>3,284</u>	<u>3,284</u>
	<u>6,343,098</u>	<u>5,553,759</u>
	<u>\$6,471,873</u>	<u>\$5,654,914</u>
The accompanying notes are part of these financial statements.		

THE ALBERTA HISTORICAL RESOURCES FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994
	Budget	Actual			Actual
	Operating Fund (Note 9)	Operating Fund	Restricted Funds	Total	Total
REVENUE					
Contributions:					
Lottery Fund	\$ 6,550,000	\$ 6,550,000	\$ —	\$ 6,550,000	\$11,490,000
Heritage Canada Foundation	—	—	—	—	34,000
Interest	100,000	134,831	210,485	345,316	132,321
Donations	4,000	2,217	—	2,217	2,365
Membership fees	5,000	—	—	—	3,120
Miscellaneous	500	1,328	1,110	2,438	645
	<u>6,659,500</u>	<u>6,688,376</u>	<u>211,595</u>	<u>6,899,971</u>	<u>11,662,451</u>
EXPENDITURE					
Grants:					
Provincial heritage organizations:					
Alberta Museums Association	1,200,000	1,200,000	—	1,200,000	1,200,000
Archives Society of Alberta	100,000	100,000	—	100,000	100,000
Others	78,450	78,450	—	78,450	78,450
	<u>1,378,450</u>	<u>1,378,450</u>	—	<u>1,378,450</u>	<u>1,378,450</u>
Glenbow-Alberta Institute	3,200,000	3,200,000	—	3,200,000	3,200,000
Historical resources preservation	950,000	985,681	—	985,681	665,688
Main Street program	600,000	341,543	—	341,543	325,369
Heritage awareness	300,000	246,237	—	246,237	260,244
Special projects	12,150	38,000	—	38,000	—
Historical areas conservation	—	—	—	—	250,000
Ex Terra Foundation	—	(321,267)	—	(321,267)	1,940,000
	<u>6,440,600</u>	<u>5,868,644</u>	—	<u>5,868,644</u>	<u>8,019,751</u>
Honoraria, salaries, wages and benefits (Note 10)	111,500	116,257	—	116,257	123,999
Office expenses	40,000	49,058	—	49,058	60,034
Contracted services	24,000	24,000	6,816	30,816	62,869
Board expenses	18,000	12,229	—	12,229	20,472
Travel and car rental	5,100	5,986	—	5,986	7,398
McDougall Collection display	4,300	3,900	—	3,900	23,834
Materials and supplies	—	—	290	290	32,611
Acquisition of artifacts	—	—	—	—	3,708
Miscellaneous	16,000	7,452	16,000	23,452	15,675
	<u>6,659,500</u>	<u>6,087,526</u>	<u>23,106</u>	<u>6,110,632</u>	<u>8,370,351</u>
Excess of revenue over expenditure in the year	<u>\$ —</u>	600,850	188,489	789,339	3,292,100
Fund balances at beginning of year		1,917,685	3,432,790	5,350,475	2,058,375
Transfer to restricted funds		(1,830)	1,830	—	—
Transfer from restricted funds		4,018	(4,018)	—	—
Fund balances at end of year (Note 12)		<u>\$ 2,520,723</u>	<u>\$ 3,619,091</u>	<u>\$ 6,139,814</u>	<u>\$ 5,350,475</u>

THE ALBERTA HISTORICAL RESOURCES FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Excess of revenue over expenditure for the year	\$ 789,339	\$3,292,100
Add non-cash charge - amortization of capital assets	<u>3,171</u>	<u>3,820</u>
Cash provided by operating activities	792,510	3,295,920
Decrease in non-cash working capital	<u>(85,040)</u>	<u>(79,214)</u>
Net cash provided by operating activities	707,470	3,216,706
Investing activity:		
Purchase of capital assets	<u>(3,161)</u>	<u>—</u>
Increase in cash during the year	704,309	3,216,706
Cash at beginning of year	<u>5,402,547</u>	<u>2,185,841</u>
Cash at end of year	<u>\$6,106,856</u>	<u>\$5,402,547</u>

THE ALBERTA HISTORICAL RESOURCES FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Historical Resources Foundation operates under the authority of the Historical Resources Act, Chapter H-8, Revised Statutes of Alberta 1980, as amended.

The purpose of the Foundation is to assist in the preservation and interpretation of Alberta's heritage primarily through the encouragement and sponsorship of community heritage initiatives.

Note 2 Significant Accounting Policies and Reporting Practices

Revenue and Expenditure

Transactions are grouped, for reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

- The operating fund accounts for revenue and expenditure associated with the primary activities of the Foundation. Included in this fund are the revenues and expenditures of the Alberta Main Street Program.
- The Western Heritage Centre fund accounts for contributions received from the Lottery Fund, the interest accumulated on these funds and the grants paid to the Western Heritage Centre Society.
- The capital projects fund accounts for contributions made by the Lottery Fund, for constructing exhibits and restoring artifacts at the Reynolds Alberta Museum and the Remington Alberta Carriage Centre, the interest earned on these funds and the expenditures associated with specified activities.
- The Roger Soderstrom Fellowship fund accounts for interest earned and the expenditures incurred on the fellowship in historical resources preservation.

Capital Assets

Furniture and equipment are recorded at cost less an allowance for accumulated amortization. The assets are amortized at an annual rate of 15% per annum on a straight-line basis over the estimated useful lives of the assets.

Historical Assets

Purchased historical assets are recorded at cost. Donated historical assets are recorded as direct increases in historical assets and in equity in historical assets. They are recorded in the financial statements at nominal values because of the practical difficulties in reflecting them at a meaningful value.

Artifacts and Exhibits

Costs incurred by the capital projects fund to acquire and restore artifacts and to construct exhibits are charged to expenditure when incurred because the restored artifacts and exhibits are donated to the Reynolds Alberta Museum and the Remington Alberta Carriage Centre.

Note 3 Changes in Accounting Policies

The Foundation has changed its policies for accounting for the following:

- (a) Costs incurred by the operating fund to acquire historical assets were previously charged to expenditure in the year the assets were acquired. Under the new policy, purchased historical assets are recorded as a transfer from the operating fund balance to equity in historical assets at the time of acquisition.

- (b) Donated historical assets were previously recorded as revenue of the operating fund at the time of acquisition. Under the new policy, donated historical assets are recorded as direct increases in equity in historical assets at the time of acquisition.

These changes in accounting policies have been applied retroactively. Because there were no such transactions this year or in the previous year, there is no effect on this year's financial statements or on the comparative amounts for the previous year.

Note 4 Capital Assets

Capital assets are comprised of the following:

	1995	1994
Furniture and equipment, at cost	\$74,844	\$79,965
Less: Accumulated amortization	61,926	67,037
Net book value	<u>\$12,918</u>	<u>\$12,928</u>

Note 5 Historical Assets

Historical assets consist of:

	1995	1994
Purchased assets	\$3,282	\$3,282
Donated assets	2	2
	<u>\$3,284</u>	<u>\$3,284</u>

Note 6 Western Heritage Center Fund

The Foundation has received \$5,000,000 from the Lottery Fund with a stipulation that the money be paid to the Western Heritage Center Society as it raises matching funds. Of this amount, \$1,720,208 has been paid to the Society. If the Society is unable to raise sufficient funds, the unmatched funds held by the Foundation and the interest accumulated on these funds, in the amount of \$3,560,650 (1994 \$3,352,699), will be returned to the Lottery Fund.

Note 7 Roger Soderstrom Fellowship Fund

The Roger Soderstrom Fellowship fund is for a fellowship in historical resources preservation and is comprised of the following:

	Balance at Beginning of Year	Transfer from Operating Fund	Transfer to Operating Fund	Balance at End of Year
Principal	\$25,000	\$ —	\$ —	\$25,000
Expendable interest	7,442	1,830	(4,018)	5,254
Total 1995	<u>\$32,442</u>	<u>\$ 1,830</u>	<u>\$ (4,018)</u>	<u>\$30,254</u>
Total 1994	<u>\$35,538</u>	<u>\$ 1,764</u>	<u>\$ (4,860)</u>	<u>\$32,442</u>

The principal portion of the fund is held as part of the cash appropriated for non-current uses.

Note 8 Reserve

The reserve has been established from the operating fund for the purpose of retaining an ongoing funding capability. The interest earned on the reserve is credited to operating revenue.

The reserve funds are held as part of the cash appropriated for non-current uses.

Note 9 Budget

The Foundation's operating fund budget was discussed by the Board in April 1994. The detailed budget amounts included in these statements are based on the revenue and expenditure amounts included in the budget discussed by the Board within the classifications approved by management.

Note 10 Honoraria, Salaries, Wages and Benefits

Honoraria, salaries, wages and benefits are comprised of the following:

	1995				1994	
	Number of Individuals	Salaries and Wages ⁽¹⁾	Benefits ⁽²⁾	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 4,580	\$ —	\$ 4,580	1	\$ 2,675
Other directors	9	—	—	—	11	8,655
Board honoraria	<u>10</u>	<u>4,580</u>	<u>—</u>	<u>4,580</u>	<u>12</u>	<u>11,330</u>
	Full-time Equivalents				Full-time Equivalents	
Salaried employees (average 1995 \$43,901, 1994 \$44,788)	<u>2</u>	\$ 69,650	\$ 18,153	\$ 87,803	<u>2</u>	\$ 89,576
Non-salaried employees		<u>22,624</u>	<u>1,540</u>	<u>24,164</u>		<u>22,420</u>
		92,274	19,693	111,967		111,996
Increase (decrease) in accrued vacation pay		(290)	—	(290)		673
Salaries, wages and benefits		<u>91,984</u>	<u>19,693</u>	<u>111,677</u>		<u>112,669</u>
		<u>\$ 96,564</u>	<u>\$ 19,693</u>	<u>\$ 116,257</u>		<u>\$ 123,999</u>

- (1) Salaries and wages include regular pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.
- (2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships, tuition fees and vacation payouts.
- (3) Senior management staff are employees of the Department of Community Development and their salaries are reported by the Department.

Note 11 Administration Costs

Certain salary costs, estimated at \$90,000, accommodation and other costs incurred in the administration of the Foundation have not been included in the Foundation's expenditures. These costs are incurred and recorded by the General Revenue Fund of the Province of Alberta.

Note 12 Commitments

At the year end, the Foundation had the following grant commitments:

	1995
Grants:	
Historical resources preservation ^(a)	\$1,539,000
Heritage awareness ^(a)	337,000
Main Street program ^(b) :	
For 1995-96	399,000
For 1996-97	228,000
For 1997-98	<u>69,000</u>
	<u>\$2,572,000</u>

- (a) These commitments are for grants approved as at March 31, 1995 but not disbursed because certain conditions were still to be met by applicants.
- (b) These are contractual commitments to pay the grant amounts in the periods indicated, subject to satisfactory progress of the projects.

Note 13 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by management and recommended for approval by the Board.

ALBERTA MULTICULTURALISM FUND
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balance
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Minister of Community Development

I have audited the balance sheet of the Alberta Multiculturalism Fund as at March 31, 1995 and the statements of revenue, expenditure and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

ALBERTA MULTICULTURALISM FUND
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash (Note 4)	\$ 914,972	\$ 564,461
Accounts receivable	1,828	648
Inventory	2,766	5,649
	<u>919,566</u>	<u>570,758</u>
Cash appropriated for non-current use (Note 4)	<u>1,450,000</u>	<u>1,450,000</u>
Capital assets:		
Equipment, cost	2,600	2,600
Accumulated amortization	<u>2,600</u>	<u>1,950</u>
	<u>—</u>	<u>650</u>
	<u>\$2,369,566</u>	<u>\$2,021,408</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Grants payable	\$ 193,200	\$ 41,000
Accounts payable	<u>78,903</u>	<u>89,889</u>
	<u>272,103</u>	<u>130,889</u>
Equity:		
General reserve (Note 5)	1,450,000	1,450,000
Fund balance	<u>647,463</u>	<u>440,519</u>
	<u>2,097,463</u>	<u>1,890,519</u>
	<u>\$2,369,566</u>	<u>\$2,021,408</u>
The accompanying notes are part of these financial statements.		

ALBERTA MULTICULTURALISM FUND
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
	<u>Budget</u>	<u>Actual</u>
	(Note 6)	<u>Actual</u>
REVENUE		
Contributions from the Lottery Fund	\$2,125,000	\$2,125,000
Interest	90,000	129,816
Sales and fees	10,000	15,192
	<u>2,225,000</u>	<u>2,270,008</u>
EXPENDITURE		
Grants (Note 7)	1,390,000	1,386,461
Professional, technical and contracted services	727,500	574,234
Promotion and communications	3,000	39,946
Materials and supplies	19,500	29,974
Travel	31,500	17,958
Rentals, repairs and maintenance	20,500	6,728
Freight, postage and telephone	16,500	4,032
Hosting	16,500	2,632
Amortization	—	650
Printing	—	35
Board members' honorarium (Note 8)	—	—
Miscellaneous	—	414
	<u>2,225,000</u>	<u>2,063,064</u>
Excess of revenue over expenditure for the year	<u>\$ —</u>	<u>206,944</u>
Fund balance at beginning of year	<u>—</u>	<u>440,519</u>
Fund balance at end of year	<u>\$ 647,463</u>	<u>\$ 440,519</u>

ALBERTA MULTICULTURALISM FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Operating activities:		
Excess of revenue over expenditure	\$ 206,944	\$ 418,746
Add non-cash charge - amortization of capital assets	<u>650</u>	<u>650</u>
	207,594	419,396
Decrease (increase) in non-cash working capital	<u>142,917</u>	<u>(207,672)</u>
Cash provided by operating activities	350,511	211,724
Cash at beginning of year	<u>2,014,461</u>	<u>1,802,737</u>
Cash at end of year	<u>\$2,364,972</u>	<u>\$2,014,461</u>

ALBERTA MULTICULTURALISM FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose of the Alberta Multiculturalism Commission

The Alberta Multiculturalism Fund operates under the authority of the Alberta Multiculturalism Act, Chapter A-32.8, Statutes of Alberta 1984, as amended.

The purpose of the Alberta Multiculturalism Commission is to promote understanding of the cultural and racial diversity in the Province.

Note 2 Significant Accounting Policies and Reporting Practices

Equipment

Equipment is recorded at cost less an allowance for accumulated amortization. Equipment is amortized at an annual rate of 25% on a straight-line basis over its estimated useful life.

Note 3 Administration Costs

Salaries, estimated to be approximately \$630,000, accommodation and other overhead costs incurred in the administration and operation of the Commission have not been included in the Fund's expenditures. These costs are incurred and recorded by the General Revenue Fund of the Province of Alberta.

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Alberta Multiculturalism Fund earns interest on the daily cash balance at the average rate of interest earned by the Consolidated Cash Investment Trust Fund.

Note 5 General Reserve

The general reserve is maintained for the purpose of retaining an ongoing funding capability. Interest earned on the reserve is reported as operating revenue.

Note 6 Budget

The 1995 budget was approved by the Board on June 28, 1994.

Note 7 Grant Expenditure

The Commission provides grants to individuals and organizations to organize activities and projects which help Albertans achieve a greater awareness and understanding of the cultural diversity of Albertans. The grants are paid under the following programs of the Commission:

	1995		1994
	Budget (Note 6)	Actual	Actual
Partnership projects ^(a)	\$ 550,000	\$ 739,200	\$ 552,500
Participation: ^(b)			
Heritage languages	240,000	219,825	237,225
Project assistance	150,000	139,386	129,719
Access ^(c)	200,000	121,900	199,650
Awareness: ^(d)			
Project assistance	100,000	89,800	63,200
Heritage Days	50,000	9,350	29,892
Fathers of Confederation ^(e)	50,000	50,000	50,000
Special projects ^(f)	50,000	17,000	23,500
Amateur operating assistance ^(g)	—	—	31,950
	<u>\$1,390,000</u>	<u>\$1,386,461</u>	<u>\$1,317,636</u>

(a) Partnership project grants are made to provincial ethnocultural and regional multiculturalism organizations to develop strategic plans to assist in achieving the Commission's goals.

(b) Participation grants consist of:

- The Heritage language support program which is designed to encourage the development and preservation of heritage languages.
- Project assistance grants which are made to Albertans from cultural and racial minorities to integrate effectively and participate fully in society.

(c) Access grants assist public institutions, businesses, industries and organizations to develop operations and services that are available and appropriate to the needs of Albertans.

(d) Awareness grants enhance the understanding and appreciation by Albertans of the benefits and positive values of a culturally diverse society.

(e) The Fathers of Confederation grant is annually made on behalf of the Government of Alberta to the Confederation Centre of the Arts in Charlottetown, Prince Edward Island.

(f) Special project grants are for innovative or new projects relating to multiculturalism.

(g) Amateur operating assistance grants in 1994 were given in support of amateur heritage arts activities.

Note 8 Salaries and Benefits

In 1994, salaries and benefits were comprised of the following:

	1994		
	Number of Individuals	Salaries ⁽¹⁾	Benefits ⁽¹⁾
Chairman of the Board ⁽²⁾	1	\$ —	\$ —
Other Board members ⁽³⁾	5	<u>7,338</u>	<u>—</u>
Board members' honoraria		<u>\$7,338</u>	<u>\$ —</u>
		<u>\$7,338</u>	<u>\$7,338</u>

In 1994, salaries and benefits were comprised of the following:

(1) The salaries and benefits of the Commission's staff are paid and reported by the Department of Community Development (see Note 3).

(2) The Chairman of the Board is a Member of the Legislative Assembly and is not compensated by the Commission.

(3) The Commission stopped paying honoraria to other Board members in the 1994 fiscal year.

Note 9 Commitments

At March 31, 1995, the Commission had contract commitments totalling \$70,000.

Note 10 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 11 Approval of Financial Statements

These financial statements have been approved by management.

ALBERTA SPORT COUNCIL
FINANCIAL STATEMENTS
JUNE 30, 1994

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Changes in Fund Balances
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Sport Council

I have audited the balance sheet of the Alberta Sport Council as at June 30, 1994 and the statements of revenue, expenditure and changes in fund balances and changes in financial position for the period April 1, 1994 to June 30, 1994. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at June 30, 1994 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 15, 1995

ALBERTA SPORT COUNCIL
BALANCE SHEET
JUNE 30, 1994
(Note 1)

	June 30, 1994	March 31, 1994
ASSETS		
Current:		
Cash and short-term investments	\$5,059,363	\$4,642,653
Accounts receivable	50,276	177,519
Prepaid expenses	28,317	49,671
	<u>5,137,956</u>	<u>4,869,843</u>
Capital assets (Note 3)	101,290	107,027
	<u><u>\$5,239,246</u></u>	<u><u>\$4,976,870</u></u>
LIABILITIES AND FUND BALANCES		
Current:		
Grants and accounts payable	\$ 365,865	\$ 197,468
Fund held on behalf of others (Note 4)	<u>50,000</u>	<u>50,000</u>
Fund balances:		
Operating	329,273	399,448
Endowment	758,927	751,427
Restricted	37,396	24,467
	<u>1,125,596</u>	<u>1,175,342</u>
Reserves (Note 5)	<u>3,697,785</u>	<u>3,554,060</u>
	<u><u>\$5,239,246</u></u>	<u><u>\$4,976,870</u></u>
The accompanying notes are part of these financial statements.		

ALBERTA SPORT COUNCIL
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994				Year Ended March 31, 1994	
	Operating	Endowment	Restricted	Total	Total	Total
	Fund	Fund	Fund	Actual	Budget	Actual
Revenue						
Contributions:						
Lottery Fund	\$ 2,371,400	\$ —	\$ —	\$ 2,371,400	\$ 2,371,400	\$ 9,485,000
Alberta Foundation for the Arts	—	—	—	—	—	169,500
Investment income	49,813	—	12,855	62,668	52,000	235,351
Donations	329,345	3,750	2,743	335,838	356,000	2,213,487
Other revenue	71,449	—	—	71,449	67,500	200,567
	<u>2,822,007</u>	<u>3,750</u>	<u>15,598</u>	<u>2,841,355</u>	<u>2,846,900</u>	<u>12,303,905</u>
Expenditure						
Technical development programs	2,230,582	—	2,500	2,233,082	2,385,100	10,620,297
Alberta games and zone development programs	330,455	—	—	330,455	337,500	2,402,452
Administration	76,836	—	—	76,836	88,300	419,770
Public relations, promotion and fund raising	50,615	—	—	50,615	52,300	515,707
Alberta Sport Hall of Fame and Museum	56,219	—	169	56,388	61,200	207,811
Downsizing and voluntary severance packages	—	—	—	—	—	253,433
	<u>2,744,707</u>	<u>—</u>	<u>2,669</u>	<u>2,747,376</u>	<u>2,924,400</u>	<u>14,419,470</u>
Excess (deficiency) of revenue over expenditure for the period	77,300	3,750	12,929	93,979	(77,500)	(2,115,565)
Interfund transfers:						
Matching donors' contributions	(3,750)	3,750	—	—	—	—
Transfers from (to) reserves	(143,725)	—	—	(143,725)	10,000	2,899,352
Changes in fund balances for the period	(70,175)	7,500	12,929	(49,746)	(67,500)	783,787
Fund balances at beginning of period	399,448	751,427	24,467	1,175,342	1,175,300	391,555
Fund balances at end of period	<u>\$ 329,273</u>	<u>\$ 758,927</u>	<u>\$ 37,396</u>	<u>\$ 1,125,596</u>	<u>\$ 1,107,800</u>	<u>\$ 1,175,342</u>

ALBERTA SPORT COUNCIL
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Cash provided by (used in):			
Operating activities:			
Excess (deficiency) of revenue over expenditure for the period	\$ (77,500)	\$ 93,979	\$(2,115,565)
Amortization and loss on disposal of assets	6,000	5,737	36,982
Net change in non-cash working capital	<u>79,700</u>	<u>316,994</u>	<u>(206,604)</u>
	8,200	416,710	(2,285,187)
Investing activities:			
Acquisition of capital assets	<u>—</u>	<u>—</u>	<u>(1,195)</u>
Increase (decrease) in cash and short-term investments	8,200	416,710	(2,286,382)
Cash and short-term investments at beginning of period	<u>4,642,700</u>	<u>4,642,653</u>	<u>6,929,035</u>
Cash and short-term investments at end of period	<u>\$ 4,650,900</u>	<u>\$ 5,059,363</u>	<u>\$ 4,642,653</u>

ALBERTA SPORT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1994

Note 1 Authority

The Alberta Sport Council operated under the authority of the Alberta Sport Council Act, Chapter A-37.5, Statutes of Alberta 1983, as a Crown corporation for the purpose of enhancement of sport for all Albertans. The Council was not taxable under the Income Tax Act of Canada.

On July 1, 1994, the Alberta Sport, Recreation, Parks and Wildlife Foundation Act was proclaimed pursuant to which the Alberta Sport Council ceased to exist and its assets, liabilities, rights and obligations became vested in the newly established Alberta Sport, Recreation, Parks and Wildlife Foundation.

Note 2 Significant Accounting Policies and Reporting Practices

Revenue and Expenditure

Transactions are grouped, for accounting and reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

- The operating fund accounts for revenue and expenditure associated with the primary activities of the Council.
- The endowment fund accounts for contributions received under various agreements with sponsors and/or matching funds provided by the Council. Interest earned on the existing endowments can only be used to fund athletes and athletic activities.
- The restricted fund accounts for interest earned on endowments and contributions received for which donors have imposed conditions on how the funds are to be used.

Grants Payable

Liabilities are recorded for grants payable only when all the conditions required to qualify for the grants have been met by the grant recipients.

Capital Assets

Capital assets purchased by the Council are recorded at cost. Capital assets donated to the Council are recorded at fair market value at date of donation. The capital asset value is shown net of amortization which is provided over the estimated useful life of the assets at rates as follows:

Furniture and equipment	20% - 30% declining balance
Vehicles	4 years straight-line
Leasehold improvements	over the life of the lease

Donations

Donations are reported when received. Donations of materials and services are reported at fair market value, provided such materials and services would be purchased and paid for by the Council if not received as donations.

Note 3 Capital Assets

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	Cost	Accumulated Amortization	Net
Furniture and equipment	\$401,394	\$300,104	\$101,290
Vehicles	33,720	33,720	—
Leasehold improvements	66,839	66,839	—
	<u>\$501,953</u>	<u>\$400,663</u>	<u>\$101,290</u>
			<u>\$107,027</u>

Note 4 Fund Held on Behalf of Others

The Council held an amount which is repayable to the contributor on eighteen months notice. Interest earned on this fund is included in the restricted fund and can only be used to fund athletes and athletic activities.

Note 5 Reserves

The Council provides funding for the Alberta Games and for the Canada Games, some of which occur every other year and some every four years. Reserves were established by management to set aside funds in non-game years to meet financial requirements in years in which games are held. Reserves were also established to meet estimated financial requirements under the Local Sport Development program for funding applications under review and to match corporate and individual contributions towards endowments.

Reserves are summarized as follows:

	Balance at beginning of period	Transfers from (to) Operating Fund	Balance at end of period
Local Sport Development program	\$ 254,774	\$ 147,475	\$ 402,249
Endowment donation matching program	3,299,286	(3,750)	3,295,536
	<u>\$3,554,060</u>	<u>\$ 143,725</u>	<u>\$3,697,785</u>

Note 6 Operating Fund Expenditures

Operating fund expenditures are summarized by object as follows:

	Three Months Ended June 30, 1994	Year Ended March 31, 1994
Grants	\$2,240,237	\$11,464,122
Salaries, wages and benefits (Note 7)	274,577	1,460,684
Supplies and services - non-program	47,830	645,009
Supplies and services - programs	148,118	328,258
Downsizing and voluntary severance packages	—	253,433
Travel and committee	28,208	188,589
Amortization and loss on disposal of assets	5,737	36,982
	<u>\$2,744,707</u>	<u>\$14,377,077</u>

Note 7 Salaries, Wages and Benefits

Salaries, wages and benefits are comprised of the following:

	Three Months Ended June 30, 1994				Year Ended March 31, 1994	
	Full Time Equivalents	Salaries and Wages ⁽¹⁾	Benefits ⁽²⁾	Total	Full Time Equivalents	Total
Managing Director	1.0	\$ 19,500	\$ —	\$ 19,500	1.0	\$ 78,000
Manager - Special Projects	1.0	16,150	2,677	18,827	1.0	79,377
Manager - Marketing	0.5	7,500	1,859	9,359	1.0	73,890
Manager - Technical Services	1.0	14,750	2,588	17,338	1.0	72,899
Manager - Games and Zone Services	0.5	7,500	1,859	9,359	1.0	71,255
Manager - Finance and Administration	0.5	8,750	—	8,750	1.0	71,255
Non-management staff:						
Professional and technical (average Three months to June 30, 1994 \$11,023, Twelve months to March 31, 1994 \$42,383)	11.0	100,770	20,482	121,252	17.5	741,694
Secretarial and support services (average Three months to June 30, 1994 \$6,245, Twelve months to March 31, 1994 \$23,653)	10.0	54,285	8,162	62,447	9.5	224,703
Part-time and casual wage staff	0.0	7,745	—	7,745	—	43,301
	<u>25.5</u>	<u>236,950</u>	<u>37,627</u>	<u>274,577</u>	<u>33.0</u>	<u>1,456,374</u>
Board of Directors (1994, 10 members, 1994, 10 members):						
Chairman		—	—	—		—
Other directors		—	—	—		4,310
Salaries, wages, and benefits (Note 6)		<u>\$ 236,950</u>	<u>\$ 37,627</u>	<u>\$ 274,577</u>		<u>\$1,460,684</u>

(1) Salaries and wages include regular base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits including health care, group life plan, health club memberships, and contributions to individual employee controlled Registered Retirement Savings Plans.

Note 8 Supplies, Services and Accommodation

Accommodations, basic office furnishings and certain other administration costs have been borne by the Province of Alberta, General Revenue Fund and are not reflected in these financial statements.

Note 9 Commitments

At June 30, 1994, the Council had outstanding commitments under games grant programs amounting to \$365,000.

Note 10 Budget

The budget of the Council for the period ended June 30, 1994 was approved by the Board of Directors on May 27, 1994 as part of the budget for the Alberta Sport, Recreation, Parks and Wildlife Foundation for the year ending March 31, 1995.

Note 11 Related Party Transactions

The Alberta Sport Council (Council) and the Recreation, Parks and Wildlife Foundation (Foundation) were merged by legislation into the Alberta Sport, Recreation, Parks and Wildlife Foundation on July 1, 1994 (see Note 1). The Council paid the salaries and employee benefits for the Foundation's employees working at the Percy Page Centre. The Council recorded a receivable of \$24,252 from the Foundation for these costs.

Note 12 Comparative Figures

The figures for the year ended March 31, 1994 have been reclassified where necessary to conform to June 30, 1994 presentation.

Note 13 Approval of Financial Statements

These financial statements were approved by management.

ALBERTA SPORT, RECREATION, PARKS AND WILDLIFE FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Changes in Fund Balances
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Sport, Recreation, Parks and Wildlife Foundation

I have audited the balance sheet of the Alberta Sport, Recreation, Parks and Wildlife Foundation as at March 31, 1995 and the statements of revenue, expenditure and changes in fund balances and changes in financial position for the period from the date of commencement of operations, July 1, 1994, to March 31, 1995. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1995 and the results of its operations and the changes in its financial position for the period July 1, 1994 to March 31, 1995 in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 24, 1995

ALBERTA SPORT, RECREATION, PARKS AND WILDLIFE FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1995

ASSETS

Current:	
Cash and short-term investments	\$7,860,249
Accounts receivable	243,024
Prepaid expenses	74,987
	<u>8,178,260</u>
Capital assets (Note 4)	1,170,993
	<u>\$9,349,253</u>

LIABILITIES AND FUND BALANCES

Current:	
Grants and accounts payable	\$ 464,406
Fund held on behalf of others (Note 5)	<u>50,000</u>
Fund balances:	
Operating	2,181,580
Endowment	1,063,115
Restricted	<u>2,079,710</u>
	<u>5,324,405</u>
Reserves (Note 6)	<u>3,510,442</u>
	<u>\$9,349,253</u>

The accompanying notes are part
of these financial statements.

ALBERTA SPORT, RECREATION, PARKS AND WILDLIFE FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE PERIOD JULY 1, 1994 TO MARCH 31, 1995

	Operating Fund	Endowment Fund	Restricted Fund	Total	Budget (Note 12)
REVENUE					
Contributions:					
Lottery Fund	\$11,163,600	\$ —	\$ —	\$11,163,600	\$11,163,600
Alberta Foundation for the Arts	80,500	—	—	80,500	80,500
Percy Page Centre (Note 7)	417,588	—	—	417,588	476,300
Investment income	306,971	—	89,916	396,887	343,000
Donations (Note 8)	2,480,929	222,094	65,964	2,768,987	1,438,500
Other revenue	128,006	—	—	128,006	411,000
	<u>14,577,594</u>	<u>222,094</u>	<u>155,880</u>	<u>14,955,568</u>	<u>13,912,900</u>
EXPENDITURE					
Provincial sport and recreation programs	6,914,511	—	15,996	6,930,507	7,624,300
Community sport, recreation, parks and wildlife programs (Note 8)	4,751,611	—	15,616	4,767,227	4,382,000
Games and zone programs	1,350,544	—	—	1,350,544	1,338,000
Public relations, promotion and fund raising	339,878	—	—	339,878	616,900
Percy Page Centre (Note 7)	460,171	—	—	460,171	508,700
Alberta Sports Hall of Fame and Museum	120,009	—	—	120,009	87,100
Administration	330,989	—	—	330,989	289,900
Employee severance costs	130,000	—	—	130,000	—
	<u>14,397,713</u>	<u>—</u>	<u>31,612</u>	<u>14,429,325</u>	<u>14,846,900</u>
Excess (deficiency) of revenue over expenditure for the period	179,881	222,094	124,268	526,243	(934,000)
Interfund transfers:					
Matching donors' contributions	(82,094)	82,094	—	—	—
Changes in fund balances for the period	97,787	304,188	124,268	526,243	(934,000)
Net assets assumed at commencement (Note 2)	5,594,235	758,927	1,955,442	8,308,604	4,785,200
Transfer to reserve	(3,510,442)	—	—	(3,510,442)	(150,000)
Fund balances at end of period	<u>\$ 2,181,580</u>	<u>\$ 1,063,115</u>	<u>\$ 2,079,710</u>	<u>\$ 5,324,405</u>	<u>\$ 3,701,200</u>

ALBERTA SPORT, RECREATION, PARKS AND WILDLIFE FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE PERIOD JULY 1, 1994 TO MARCH 31, 1995

Cash provided by (used in):

Operating activities:

Excess of expenditure over revenue for the period	\$ 526,243
Amortization and loss on disposal of assets	38,016
Capital assets donated to non-profit-organization	14,649
Net change in non-cash working capital	<u>146,395</u>
	<u>725,303</u>

Investing activities:

Acquisition of capital assets:

By transfer	(1,076,573)
By purchase	<u>(147,085)</u>
	<u>(1,223,658)</u>

Financing activities:

Equity in net assets assumed	8,308,604
Transfer of funds held on behalf of others	<u>50,000</u>
	<u>8,358,604</u>

Increase in cash and short-term investments and balance at end of period \$ 7,860,249

ALBERTA SPORT, RECREATION, PARKS AND WILDLIFE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Sport, Recreation, Parks and Wildlife Foundation (the "Foundation") operates under the authority of the Alberta Sport Recreation, Parks and Wildlife Foundation Act, Chapter A-37.6, Statutes of Alberta 1994, as a Crown corporation for the purpose of enhancement of sport, recreation, parks and wildlife programs for all Albertans. The Foundation is not taxable under the Income Tax Act of Canada.

Note 2 Commencement of Operations

The Alberta Sport, Recreation, Parks and Wildlife Foundation commenced operations on July 1, 1994, and assumed the assets and liabilities of the Alberta Sport Council and The Recreation, Parks and Wildlife Foundation pursuant to section 14 of the Alberta Sport, Recreation, Parks and Wildlife Foundation Act. The net book value of the assets and liabilities assumed by the Foundation are as follows:

	Alberta Sport Council	Recreation, Parks, and Wildlife Foundation	Total
Working capital	\$4,772,091	\$2,509,940	\$7,282,031
Capital assets	<u>101,290</u>	<u>975,283</u>	<u>1,076,573</u>
	4,873,381	3,485,223	8,358,604
Less obligations to others	<u>(50,000)</u>	<u>—</u>	<u>(50,000)</u>
Net assets assumed	<u>\$4,823,381</u>	<u>\$3,485,223</u>	<u>\$8,308,604</u>

Note 3 Significant Accounting Policies and Reporting Practices

(a) Fund Accounting

Transactions are grouped, for accounting and reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

- The operating fund accounts for revenue and expenditure associated with the primary activities of the Foundation.
- The endowment fund accounts for contributions received under various agreements with sponsors and/or matching funds provided by the Foundation. Interest earned on the existing endowments can only be used to fund specific athletes and athletic activities.
- The restricted fund accounts for interest earned on endowments and contributions received for which donors have specified the purpose.

(b) Revenue and Other Contributions

Revenue for provision of goods and services is recognized in the period in which the goods are provided or the services rendered.

Unrestricted contributions are recognized as revenue in the period receivable.

Endowment contributions are recognized as revenue of the endowment fund when receivable.

Other restricted contributions are recognized as revenue of the restricted fund when receivable.

Cash donations are reported when received. Donations of materials and services are recorded at fair market value, provided such materials and services would be purchased and paid for by the Foundation if not received as donations.

(c) Expenses

Provincial sport and recreation programs include grants to provincial sport and recreation associations and certain initiatives relative to active lifestyle programs.

Community sport, recreation, parks and wildlife programs include support to clubs, organizations and individuals at the community level, and parks and wildlife initiatives and youth programs.

Games and zone programs provide service and support to regional and local games, Alberta games and inter-provincial games programs.

(d) Grants Payable

Liabilities are recorded for grants payable only when all the conditions required to qualify for the grants have been met by the grant recipients.

(e) Capital Assets

Capital assets purchased by the Foundation are recorded at cost. Capital assets donated to the Foundation are recorded at fair market value at date of donation. The capital asset value is shown net of amortization which is provided over the estimated useful life of the assets at rates as follows:

Furniture and equipment	20% - 30% declining balance
Vehicles	4 years straight-line
Leasehold improvements	over the life of the lease

Note 4 Capital Assets

	Cost	Accumulated Amortization	Net
For administrative use:			
Furniture and equipment	\$ 193,256	\$ 26,914	\$ 166,342
Leasehold improvements	19,642	3,102	16,540
Artwork	16,226	—	16,226
	<u>229,124</u>	<u>30,016</u>	<u>199,108</u>
Land and building for program use:			
Day lodge - construction in progress	87,085	—	87,085
Land, use restricted by donors	738,500	—	738,500
Land, unrestricted	146,300	—	146,300
	<u>971,885</u>	<u>—</u>	<u>971,885</u>
	<u>\$1,201,009</u>	<u>\$ 30,016</u>	<u>\$1,170,993</u>

Note 5 Fund Held on Behalf of Others

The Foundation holds an amount which is repayable to the contributor on eighteen months notice. Interest earned on this fund is included in the restricted fund and can only be used to fund athletes and athletic activities.

Note 6 Reserves

The Foundation provides funding for Alberta Games and for Canada Games, some of which occur every other year and some every four years. Reserves have been established by management to set aside funds in non-game years to meet financial requirements in years in which games are held. Reserves are also established to meet estimated financial requirements under the Local Sport Development program for funding applications under review and to match corporate and individual contributions towards endowments.

Reserves are summarized as follows:

Alberta Games	\$ 250,000
Canada Games	47,000
Endowment donation matching program	<u>3,213,442</u>
	<u>\$3,510,442</u>

Note 7 Percy Page Centre

The Foundation operates the Percy Page Centre, Edmonton, to provide accommodation and office services to non-profit organizations.

Percy Page Centre revenue and expenditure are summarized as follows:

Revenue:	
Postage and courier	\$164,003
Printing	132,293
Photocopying	59,957
Telephone and fax	53,994
Other	7,341
	<u>\$417,588</u>
Expenditure:	
Postage and courier	\$177,784
Print shop supplies and services	85,840
Print shop wages and benefits	59,092
Photocopiers	45,369
Telephone	45,276
Supervisory and management salaries	44,101
Miscellaneous	2,709
	<u>\$460,171</u>

Note 8 Donations

Included in donations to the operating fund is the value of donated park lands amounting to \$1,003,000. The Foundation has donated these lands to the City of St. Albert in the amount of \$964,000 and to the Town of Sundre in the amount of \$39,000 for use as public parks under its Community Sport, Recreation, Parks and Wildlife programs.

Note 9 Operating Fund Expenditures

Operating fund expenditures are summarized by object as follows:

Grants	\$12,822,556
Salaries, wages and benefits (Note 10)	920,179
Supplies and services	472,313
Amortization and loss on disposal of assets	52,665
Employee severance costs	130,000
	<u>\$14,397,713</u>

Note 10 Salaries, Wages and Benefits

Salaries, wages and benefits are comprised of the following:

	Full-time Equivalents	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total
Chairman of the Board	1.0	\$ 5,035	\$ —	\$ 5,035
Board members	8.0	—	—	—
Managing Director	0.5	19,500	—	19,500
General Manager	0.5	20,456	6,647	27,103
Managers:				
Community Services	1.0	63,000	—	63,000
Provincial Services	0.5	28,305	3,633	31,938
Special Projects	1.0	47,517	9,844	57,361
Marketing	1.0	44,579	9,554	54,133
Controller	1.0	48,826	—	48,826
Other salaried staff:				
Professional and technical (average for 9 months \$38,173)	13.0	414,080	82,164	496,244
Secretarial and support (average for 9 months \$20,251)	3.5	60,957	9,922	70,879
Non-salaried staff	—	42,241	3,919	46,160
Salaries, wages and benefits (Note 9)		<u>\$794,496</u>	<u>\$125,683</u>	<u>\$920,179</u>

(1) Salaries and wages include regular base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits including health care, group life plan, health club memberships, and contributions to individual employee controlled Registered Retirement Savings Plans.

Note 11 Supplies, Services and Accommodation

Accommodations, basic office furnishings and certain other administration costs have been borne by the Province of Alberta, General Revenue Fund. The exact value of these services is not determinable and accordingly, is not reflected in these financial statements.

Note 12 Budget

The budget of the Foundation for the period July 1, 1994 to March 31, 1995 was approved by the Board of Directors on May 27, 1994.

Note 13 Commitments

At March 31, 1995, the Foundation had commitments under various grant programs amounting to \$518,000.

Also, future payments required under operating leases and maintenance agreements for office equipment are as follows:

1995-96	\$112,130
1996-97	109,010
1997-98	98,374
1998-99	98,374
1999-2000	98,374
2000-2001	67,430
	<u>\$583,692</u>

Note 14 Contingent Liabilities

A statement of claim has been filed naming the Alberta Sport Council as one of the defendants in respect to a games accident. These games were co-sponsored by the Alberta Sport Council. Management believes it has valid defence against this claim. Any settlement will be charged to expenditures in the year the settlement occurs.

Note 15 Approval of Financial Statements

These financial statements were approved by management.

GLENBOW-ALBERTA INSTITUTE
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Changes in Operating Fund Balance
Statement of Changes in Restricted Fund Balances
Notes to the Financial Statements
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Board of Governors of the
Glenbow-Alberta Institute

I have audited the balance sheet of the Glenbow-Alberta Institute as at March 31, 1995 and the statements of changes in operating fund balance and changes in restricted fund balances for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, as described in Note 3 to the financial statements.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 6, 1995

GLENBOW-ALBERTA INSTITUTE
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (Note 4)
ASSETS		
Operating		
Current:		
Cash and deposits	\$ 621,713	\$ 443,175
Accounts receivable and accrued interest	297,742	426,527
Merchandise for resale	213,215	207,343
Prepaid expenses	35,912	37,739
	<u>1,168,582</u>	<u>1,114,784</u>
Capital assets (Note 5)	1,183,422	1,118,703
	<u>2,352,004</u>	<u>2,233,487</u>
Restricted		
Designated funds:		
Cash and deposits	999,027	1,716,501
Grants receivable	66,146	115,309
	<u>1,065,173</u>	<u>1,831,810</u>
Other restricted funds:		
Investments (Note 6)	17,263,996	14,369,376
	<u>18,329,169</u>	<u>16,201,186</u>
	<u>\$20,681,173</u>	<u>\$18,434,673</u>
LIABILITIES AND FUND BALANCES		
Operating		
Current:		
Accounts payable and accrued charges	\$ 464,965	\$ 410,518
Deferred revenue	27,373	26,932
Current portion of obligations under capital lease	23,477	21,042
Current portion of loan payable to Legacy Fund	29,974	26,601
	<u>545,789</u>	<u>485,093</u>
Long-term:		
Obligations under capital lease (Note 7)	55,421	78,898
Loan payable to Legacy Fund	2,663	32,637
	<u>58,084</u>	<u>111,535</u>
Fund balance	1,748,131	1,636,859
	<u>2,352,004</u>	<u>2,233,487</u>
Restricted		
Designated funds:		
Accounts payable and accrued charges	85,222	—
Fund balances	18,243,947	16,201,186
	<u>18,329,169</u>	<u>16,201,186</u>
	<u>\$20,681,173</u>	<u>\$18,434,673</u>

On behalf of the Board of Governors:

Mr. J. Sherrold Moore
Chairman of the Board

Mr. Peter J.R. Henry
Treasurer

The accompanying notes and schedule
are part of these financial statements.

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF CHANGES IN OPERATING FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u> (Note 1)	<u>Actual</u>	<u>Actual</u> (Note 4)
Revenue			
Province of Alberta general operating grant	\$3,200,000	\$3,200,000	\$3,200,000
Municipal grant	—	26,266	25,016
Investment income	56,000	94,142	109,626
Allocation of unrestricted investment income from Founding and Legacy funds	1,008,778	996,160	899,255
Donations	366,850	293,465	336,746
Glenbow Society (Note 1)	90,000	100,000	42,700
Admissions and sales	405,000	330,603	265,767
Museum Shop, net revenue (Note 8)	85,684	43,745	21,010
Glenbow Enterprises	125,907	103,835	61,532
Miscellaneous	46,220	44,347	46,260
	<u>5,384,439</u>	<u>5,232,563</u>	<u>5,007,912</u>
Expenditure			
Executive Director's office	793,229	685,659	684,971
Central Services	1,655,612	1,662,942	1,665,862
Collections	604,779	591,689	479,781
Program and Exhibit Development	791,848	737,719	735,031
Library and Archives	516,985	528,683	493,409
Publications and Research	432,082	416,155	365,503
Glenbow Enterprises	387,979	315,713	290,347
Amortization	201,925	250,351	213,978
	<u>5,384,439</u>	<u>5,188,911</u>	<u>4,928,882</u>
Net revenue	<u>\$ —</u>	<u>43,652</u>	<u>79,030</u>
Transfers from designated funds		<u>67,620</u>	<u>104,024</u>
		<u>111,272</u>	<u>183,054</u>
Fund balance, beginning of year			
As previously reported		1,484,509	1,301,455
Prior period adjustment (Note 4)		<u>152,350</u>	<u>152,350</u>
As restated		<u>1,636,859</u>	<u>1,453,805</u>
Fund balance, end of year		<u>\$1,748,131</u>	<u>\$1,636,859</u>

GLENBOW-ALBERTA INSTITUTE
STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 1995

	1995					1994
	Founding Fund	Legacy Fund	Collections Fund	Designated Funds	Total	Total
Revenue						
Province of Alberta grants	\$ —	\$ —	\$ —	\$ 42,639	\$ 42,639	\$ —
Government of Canada grants	—	—	—	216,957	216,957	459,428
Investment income	1,216,642	303,067	51,149	43,692	1,614,550	1,944,496
Allocation of unrestricted investment income to operating fund	(806,560)	(189,600)	—	—	(996,160)	(899,255)
Deaccessioning proceeds, net of expenses of \$44,873	—	—	2,370,609	—	2,370,609	—
Donations	—	—	—	124,535	124,535	67,479
Glenbow Society (Note 1)	—	—	—	—	—	47,300
Calgary Region Arts Foundation	—	—	—	98,800	98,800	102,000
Publications	—	—	—	37,512	37,512	26,540
Miscellaneous	—	—	—	9,364	9,364	29,517
	<u>410,082</u>	<u>113,467</u>	<u>2,421,758</u>	<u>573,499</u>	<u>3,518,806</u>	<u>1,777,505</u>
Expenditure						
Executive Director's office	—	—	—	123,585	123,585	78,237
Central Services	—	18,737	1,403	50,482	70,622	53,415
Collections	—	—	30,547	151,511	182,058	306,209
Program and Exhibit Development	—	—	—	877,214	877,214	1,479,365
Library and Archives	—	—	—	30,568	30,568	48,438
Publications and Research	—	—	—	108,040	108,040	57,005
Glenbow Enterprises	—	—	—	16,338	16,338	4,934
	<u>—</u>	<u>18,737</u>	<u>31,950</u>	<u>1,357,738</u>	<u>1,408,425</u>	<u>2,027,603</u>
Net revenue (expenditure)	<u>410,082</u>	<u>94,730</u>	<u>2,389,808</u>	<u>(784,239)</u>	<u>2,110,381</u>	<u>(250,098)</u>
Transfers to operating fund	—	—	—	(67,620)	(67,620)	(104,024)
Net increase (decrease) in fund balances	<u>410,082</u>	<u>94,730</u>	<u>2,389,808</u>	<u>(851,859)</u>	<u>2,042,761</u>	<u>(354,122)</u>
Fund balances, beginning of year	<u>10,639,800</u>	<u>3,729,576</u>	<u>—</u>	<u>1,831,810</u>	<u>16,201,186</u>	<u>16,555,308</u>
Fund balances, end of year	<u>\$11,049,882</u>	<u>\$ 3,824,306</u>	<u>\$ 2,389,808</u>	<u>\$ 979,951</u>	<u>\$18,243,947</u>	<u>\$16,201,186</u>

(Note 9)

GLENBOW-ALBERTA INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 General

Glenbow-Alberta Institute operates under the authority of the Glenbow-Alberta Institute Act, Chapter G-5, Revised Statutes of Alberta 1980, as amended. The Institute is registered as a charity under the Income Tax Act and is exempt from income tax.

The Glenbow Society is a legally separate entity over which the Institute has no control. Its purpose is to support the Institute financially.

Budget

The 1995 operating fund budget was approved by the Board of Governors on April 21, 1994.

Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 2 Nature of Operations and Description of Organization

The nature and business of the Glenbow-Alberta Institute ("the Institute") is to provide public service through a human history museum, an art gallery, a library, and an archives. The organization is comprised of seven work units, the functions of which are as follows:

The Executive Director's Office carries out the functions of the overall administration of the Institute, human resources, monitoring and evaluation, public relations and marketing, and volunteer services.

Central Services provides board services, accounting, budgeting and financial services, computer services, photography, purchasing, security and building services, and carries other unallocated costs such as photocopier leases and communications.

Collections makes recommendations on the purchase and acceptance of gifts of art and artifacts and the deaccessioning of collection items, stores and conserves collection items, and makes the collection available for display to the public.

Program and Exhibit Development plans, facilitates, co-ordinates and produces all aspects of the Institute's activities for the public.

Library and Archives acquires, catalogues, preserves and makes available to the public and staff published and archival material relating to the history of southern Alberta and western Canada. The library also acquires publications supporting the professional needs and concerns of the Institute's employees.

Publications and Research is responsible for developing a long-range publishing program which reflects the full range of research undertaken at the Institute. Publishing projects include catalogues, books, the Glenbow magazine, Speakers' Bureau, videos, research notes, and multi-media technology.

Glenbow Enterprises is the commercial division of the Institute, responsible for private sector fund raising, facility rentals, the museum shop, grant applications, commercial alliances and new business ventures.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles, except that collection items are expensed when purchased.

Other significant accounting policies are:

(a) Fund Accounting

Revenues and expenditures are accounted for in separate funds in accordance with purposes specified by donors or by the Board of Governors, or restrictions imposed by sources outside the Institute. Unrestricted revenues are accounted for in the operating fund.

(b) Restricted Funds

The Founding Fund contains the Harvie Foundation Gift and the Province of Alberta Gift; initially \$5,000,000 each. The Harvie Foundation Gift is invested in marketable securities and interest bearing deposits. A portion of the investment income earned annually thereon is required by the Glenbow-Institute Amendment Act, 1987 to be reinvested in order to maintain the value of the Gift, increased by inflation. Investment income in excess of the annual inflation amount may be retained in the Fund or allocated to the operating fund at the discretion of the Board of Governors. The Province of Alberta Gift is also invested in marketable securities and interest bearing deposits. The Board of Governors has specified that an amount of investment income earned thereon must be retained in the Fund in order to maintain the value of the Gift, increased by inflation. The remaining investment income may be retained in the Fund or allocated to the operating fund at the Board's discretion.

The Legacy Fund was established by the Board of Governors and is invested in marketable securities and interest bearing deposits, and in a loan to the operating fund. The Board has specified that an amount of investment income earned thereon must be retained in the Fund in order to maintain the value of the Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Fund or allocated to the operating fund at the Board's discretion.

During the fiscal year, the Institute commenced a deaccessioning program for selected international collection items which are not part of the Institute's core mandate, to generate funds for a third restricted fund, the Collections Fund. The net proceeds of all the high value deaccessioned items were credited to the Collections Fund. By agreement with the Province of Alberta, expenditures from the net proceeds is restricted to the purchase of collection items. The Board has specified that an amount of investment income earned on the Collections Fund must be retained in the Fund in order to maintain the value of the Fund, increased by inflation. Any remaining unexpended investment income may be retained in the Fund or allocated to the operating fund at the discretion of the Board of Governors for "the care and maintenance of the collection."

The Institute receives other funds which are designated for special use by donors or by the Board of Governors. It is the Institute's policy to maintain these funds separately as designated funds. Transfers for capital asset acquisitions are made annually to the operating fund to the extent that designated funds have been expended on capital assets.

(c) Pledges

Donation pledges are recorded as revenue when the donations are received by the Institute.

(d) Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Institute's programs. The value of this contributed time is not included in the statement of changes in operating fund balance.

(e) Expenditure

Expenditure is classified in accordance with the organizational work units described in Note 2. The total expenditure of each of these units is reported in the statement of changes in fund balances, except that:

- amortization of capital assets is not allocated to work units but is separately presented,
- museum shop expenditure is not included in the expenditure of Glenbow Enterprises, but is deducted from museum shop revenue.

(f) Merchandise for Resale

Merchandise for resale is recorded at the lower of cost and net realizable value.

(g) Capital Assets

Furniture and equipment is stated at cost and is amortized at a composite rate of 10% per annum on a straight-line basis over its useful life.

Leasehold improvements are stated at cost and are amortized over the expected lives of the improvements.

(h) Capital Leases

A capital lease which transfers to the Institute substantially all of the benefits and risks of ownership of the asset is recorded as an asset and the obligation as a liability. The imputed cost of the asset is determined by the present value of total rentals. The asset is amortized on a straight-line basis over its useful life and the obligation, together with imputed interest thereon, is repaid according to the terms of the lease. Imputed interest is recorded as expenditure.

(i) Investments

Investments are recorded at cost, if purchased, or at market value at the date of donation.

(j) Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 4 Prior Period Adjustment

The adjustment reflects a recovery of excess premiums paid to purchase annuities for several retired employees when the Institute's defined benefit pension plan was closed in 1993. The operating fund balance at the beginning of the current and prior year has been increased by the amount recovered.

Note 5 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$2,833,972	\$1,787,897	\$1,046,075	\$ 931,853
Leasehold improvements	432,004	294,657	137,347	186,850
	<u>\$3,265,976</u>	<u>\$2,082,554</u>	<u>\$1,183,422</u>	<u>\$1,118,703</u>

Additions to capital assets during the year amounted to \$319,983 (1994 \$210,906). The net book value of disposals during the year amounted to \$4,913 (1994 \$11,014).

Note 6 Other Restricted Funds - Investments

Investments are held on behalf of the following restricted funds:

	1995		1994	
	Market Value	Cost	Market Value	Cost
Founding Fund				
Harvie Foundation Gift	\$ 6,623,985	\$ 5,304,777	\$ 6,477,605	\$ 5,304,777
Province of Alberta Gift	7,173,815	5,745,105	6,514,537	5,335,023
	<u>13,797,800</u>	<u>11,049,882</u>	<u>12,992,142</u>	<u>10,639,800</u>
Legacy Fund	4,319,925	3,826,084	4,154,830	3,729,576
Collections Fund	2,434,376	2,388,030	—	—
	<u>\$20,552,101</u>	<u>\$17,263,996</u>	<u>\$17,146,972</u>	<u>\$14,369,376</u>
Investments comprise:				
Common and preferred stocks	\$10,001,739	\$ 6,766,398	\$ 8,721,163	\$ 6,065,289
Bonds, debentures and mortgages	7,847,413	7,816,925	7,610,461	7,489,631
Cash and short-term deposits	2,670,312	2,648,036	756,110	755,218
Loan to operating fund	32,637	32,637	59,238	59,238
	<u>\$20,552,101</u>	<u>\$17,263,996</u>	<u>\$17,146,972</u>	<u>\$14,369,376</u>

The loan to the operating fund, which is from the Legacy Fund, is repayable in blended monthly payments ending April 1, 1996 and carries interest at a rate of 12% per annum.

Note 7 Leases

Included with capital assets at March 31, 1995, is the imputed cost of equipment, the purchase of which was financed by capital lease obligations, in the amount of \$326,919 (1994 \$326,919), net of accumulated amortization of \$224,192 (1994 \$189,194).

The following is a schedule of minimum operating lease payments over the next five years together with a schedule of minimum lease payments under capital lease obligations.

	Capital Leases	Operating Leases
Year ending March 31, 1996	\$ 30,996	\$ 77,672
1997	30,996	65,723
1998	30,996	54,633
1999	—	6,468
2000	—	1
Total minimum lease payments	<u>92,988</u>	<u>\$204,497</u>
Less amount representing future interest at 11%	<u>14,090</u>	
Balance of obligations	78,898	
Less current portion	<u>23,477</u>	
Long-term portion	<u>\$55,421</u>	

The City of Calgary has agreed to contribute \$82,992 towards the capital lease obligations over the period from April 1, 1995 to December 31, 1997.

Rental expense for the year under operating leases was approximately \$78,000 (1994 \$94,000).

Note 8 Museum Shop - Net Revenue

The museum shop - net revenue comprises:

	1995	1994
Sales	\$ 499,095	\$ 520,116
Cost of sales	<u>(455,350)</u>	<u>(499,106)</u>
	<u>\$ 43,745</u>	<u>\$ 21,010</u>

Note 9 Designated Funds Balance

Designated funds include the remaining balance of a grant of \$2,000,000, amounting to \$429,765 from the Province of Alberta to reorganize the space in the Glenbow Museum. Other designated funds include grants received from various governments and private agencies to finance specific projects, and sponsorships of special exhibitions and programs.

Note 10 Collections

The Institute has seven collections with over one million objects, comprised of Cultural History, Ethnology, Military History, Mineralogy, Art, Library, Archives - paper, photographs and negatives.

All additions to the collections, including gifts, are approved by the Board of Governors. Deaccessioning of major value collection items is approved by the Province of Alberta.

Note 11 Imputed Rent, Province of Alberta, and Imputed Services, City of Calgary

The Glenbow Centre is leased to the City of Calgary by the Province of Alberta for a nominal amount of one dollar per year. The City of Calgary, in turn, subleases it to the Institute for the same amount per year. The City of Calgary also provides janitorial, maintenance and utility services for the Centre at no cost to the Institute. The value of the services as determined by the City of Calgary was \$1,304,014 for the year ended March 31, 1995 (1994 \$1,406,044). This amount has not been included in the statements of changes in operating and restricted fund balances. Fair market value of the rental has not been determined.

Schedule 1

GLENBOW-ALBERTA INSTITUTE
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total ⁽³⁾	Number of Individuals	Total ⁽³⁾
Chairman of the Board	1	\$ —	\$ —	\$ —	1	\$ —
Board members	14	—	—	—	14	—
Executive Director	1	124,993	11,436	136,429 ⁽⁴⁾	1	133,374
Directors:						
Central Services	1	82,946	8,330	91,276	1	91,632
Collections	1	60,704	7,105	67,809	1	68,108
Program and Exhibit Development	1	60,704	7,257	67,961	1	66,033
Library and Archives	1	54,967	6,794	61,761	1	61,427
Publications and Research	1	50,008	6,510	56,518	1	56,318
Glenbow Enterprises	1	59,044	7,825	66,869 ⁽⁵⁾	1	43,294
Other senior staff (average 1995 \$49,413, 1994 \$56,821)	16	702,137	88,473	790,610	17	965,955
Other salaried staff (average 1995 \$38,386, 1994 \$36,714)	76	2,590,768	326,596	2,917,364	85	3,120,655
Non-salaried staff	29	207,173	11,377	218,550	38	235,510
	<u>143</u>	<u>\$3,993,444</u>	<u>\$ 481,703</u>	<u>\$4,475,147</u>	<u>162</u>	<u>\$4,842,306</u>
Number of full-time equivalent positions	105.0				118.5	

(1) Salary includes regular base pay, bonuses, lump sum payments and any other direct cash remuneration.

(2) Benefits and allowances include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including registered retirement savings plan, unemployment insurance, health care, dental coverage, group life insurance, short and long-term disability plans, and parking costs.

(3) The above salary, benefits and allowances are included in total expenditures.

(4) Executive Director's salary reflects the full annual increment payable by contractual agreement made in September 1993. The increase was effective September 1, 1993.

(5) Director, Glenbow Enterprises is a new position, created in July 1993. The year ending March 31, 1995 is the first year to reflect the full annual salary.

THE GOVERNMENT HOUSE FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balance
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Directors of The Government
House Foundation

I have audited the balance sheet of The Government House Foundation as at March 31, 1995 and the statements of revenue, expenditure and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 18, 1995

THE GOVERNMENT HOUSE FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash	\$ 54,560	\$ 56,673
Accounts receivable	18	—
Prepaid expense	72	—
	<u>54,650</u>	<u>56,673</u>
Artworks and collections (Note 5):		
Purchased	526,321	507,566
Donated	212,291	212,291
	<u>738,612</u>	<u>719,857</u>
	<u>\$793,262</u>	<u>\$776,530</u>
LIABILITIES AND EQUITY		
Current:		
Accounts payable	\$ —	\$ 70
Equity in artworks and collections (Note 6)	738,612	719,857
Fund balance	54,650	56,603
	<u>\$793,262</u>	<u>\$776,530</u>
The accompanying notes are part of these financial statements.		

THE GOVERNMENT HOUSE FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 7)		(Note 3)
REVENUE			
Grant from the General Revenue Fund,			
Department of Community Development	\$25,000	\$25,000	\$25,000
Interest	2,500	3,469	3,246
Proceeds from disposal of artworks and collections	1,000	—	650
	<u>28,500</u>	<u>28,469</u>	<u>28,896</u>
EXPENDITURE			
Secretarial services	3,600	3,600	3,600
Restoration, mounting and framing	2,000	2,972	2,051
Professional fees	400	2,000	370
Public relations	1,300	1,171	1,508
Office supplies and expenses	300	972	869
Members' meeting expenses	1,000	831	883
Miscellaneous	200	121	278
	<u>8,800</u>	<u>11,667</u>	<u>9,559</u>
Excess of revenue over expenditure for the year	19,700	16,802	19,337
Purchases of artworks and collections transferred to equity in artworks and collections	40,000	18,755	39,598
Change in fund balance during the year	(20,300)	(1,953)	(20,261)
Fund balance at beginning of year	56,603	56,603	76,864
Fund balance at end of year	<u>\$36,303</u>	<u>\$54,650</u>	<u>\$56,603</u>

THE GOVERNMENT HOUSE FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (Note 3)
Operating activities:		
Excess of revenue over expenditure for the year	\$ 16,802	\$ 19,337
Deduct non-cash charges:		
Gain on disposal of artworks and collections	—	(20)
Cost of disposed artworks and collections	—	(630)
	<u>16,802</u>	<u>18,687</u>
Increase in non-cash working capital	(160)	(7,949)
Cash provided by operating activities	<u>16,642</u>	<u>10,738</u>
Investing activities:		
Acquisitions of artworks and collections	(18,755)	(53,523)
Proceeds from sale of artworks and collections	—	650
Cash used in investing activities	<u>(18,755)</u>	<u>(52,873)</u>
Financing activity:		
Donations of artworks and collections	—	13,925
Decrease in cash during the year	<u>(2,113)</u>	<u>(28,210)</u>
Cash at beginning of year	56,673	84,883
Cash at end of year	<u>\$ 54,560</u>	<u>\$ 56,673</u>

THE GOVERNMENT HOUSE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Objectives

The Government House Foundation operates as a non-profit entity under the authority of the Government House Act, Chapter G-7, Revised Statutes of Alberta 1980, as amended.

The objectives of the Foundation are:

- to advise the Minister on the preservation of Government House as an Historic Site and building;
- to inform and stimulate the interest of the public in the historical and architectural development of Government House; and
- to solicit and receive, by gift, bequest, devise, transfer or otherwise any personal property for use or display in Government House.

Note 2 Significant Accounting Policies and Reporting Practices

Purchased artworks and collections are recorded at cost. Donated artworks and collections are recorded as direct increases in equity in artworks and collections at appraised values as at acquisition dates.

Note 3 Change in Accounting Policy

The Foundation has changed its policy for recording purchases of artworks and collections. Previously, purchases of artworks and collections were charged to operations as expenditures.

Under the new policy, purchased artworks and collections are recorded as a transfer from fund balance to equity in artworks and collections. This change in accounting policy has been applied retroactively, and accordingly the 1994 figures have been restated. The effect of this change is to decrease expenditure for the year by \$18,755 (1994 \$39,598). Also, the deficiency of revenue over expenditure of \$1,953 (1994 \$20,261) changed to an excess of revenue over expenditure of \$16,802 (1994 \$19,337). This change has had no effect on the balance sheet.

Note 4 Accounting Costs

Costs incurred on accounting services for the Foundation have not been included in the Foundation's expenses. These costs, estimated to be approximately \$2,200, are incurred and recorded by the General Revenue Fund of the Province of Alberta.

Note 5 Artworks and Collections

Artworks and collections consist of paintings, drawings, prints, sculptures, furnishings, books and silverware that pertain to the history of Government House and are used or displayed.

Note 6 Equity in Artworks and Collections

Changes to equity in artworks and collections are summarized as follows:

	1995	1994
Equity at beginning of year	\$719,857	\$666,964
Add acquisitions:		
Purchased	18,755	39,598
Donated	—	13,925
	<u>738,612</u>	<u>720,487</u>
Deduct cost of disposals	—	630
Equity at end of year	<u>\$738,612</u>	<u>\$719,857</u>

Note 7 Budget

The budget was approved by the Directors on October 25, 1994.

Note 8 Approval of Financial Statements

These financial statements were approved by the Chairman of the Foundation.

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 1994

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Unrestricted Fund Balance
Statement of Restricted Funds
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Percy Page Centre Revenue and Expenditure
Schedule of Administration Expenditure

AUDITOR'S REPORT

To the Members of the Alberta Sport, Recreation,
Parks and Wildlife Foundation

I have audited the balance sheet of The Recreation, Parks and Wildlife Foundation as at June 30, 1994 and the statements of revenue, expenditure and unrestricted fund balance, restricted funds and changes in financial position for the three months then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 1994 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
January 3, 1995

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
BALANCE SHEET
AS AT JUNE 30, 1994
(Note 1)

	June 30, 1994	March 31, 1994
ASSETS		
Current:		
Cash (Note 4)	\$3,840,867	\$4,324,301
Accountable advance	2,053	7,876
Accounts receivable	125,401	1,003
Prepaid expenses	8,641	—
Inventory	28,432	—
	<u>4,005,394</u>	<u>4,333,180</u>
Capital assets (Note 5)	<u>975,283</u>	<u>950,012</u>
	<u><u>\$4,980,677</u></u>	<u><u>\$5,283,192</u></u>
LIABILITIES AND EQUITY		
Current:		
Grants payable	\$1,458,402	\$2,695,336
Accounts payable	12,800	7,981
Due to Alberta Sport Council	24,252	—
	<u>1,495,454</u>	<u>2,703,317</u>
Equity:		
Unrestricted fund	1,567,177	695,380
Restricted funds	1,918,046	1,884,495
	<u>3,485,223</u>	<u>2,579,875</u>
	<u><u>\$4,980,677</u></u>	<u><u>\$5,283,192</u></u>

The accompanying notes and schedules are part of these financial statements.

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND UNRESTRICTED FUND BALANCE
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	Budget (Note 11)	Actual	Actual (Note 3)
REVENUE			
Alberta Lottery Fund	\$1,350,000	\$1,350,000	\$5,400,000
Percy Page Centre, Schedule 1	158,300	176,470	—
Interest	32,000	44,211	188,702
Donations	5,000	5,850	54,120
Project revenue	3,000	4,989	24,790
	<u>1,548,300</u>	<u>1,581,520</u>	<u>5,667,612</u>
EXPENDITURE			
Grants (Note 6)	115,300	312,614	4,789,214
Percy Page Centre, Schedule 1	167,845	189,273	—
Projects (Note 7)	100,500	100,766	552,443
Administration, Schedule 2	55,900	87,706	718,335
	<u>439,545</u>	<u>690,359</u>	<u>6,059,992</u>
Excess (deficiency) of revenue over expenditure	<u><u>\$1,108,755</u></u>	891,161	(392,380)
Donated land received		—	89,300
Transfers to restricted funds		(19,364)	(77,079)
Increase (decrease) in unrestricted fund balance during the period		871,797	(380,159)
Unrestricted fund balance at beginning of period		695,380	1,075,539
Unrestricted fund balance at end of period		<u><u>\$1,567,177</u></u>	<u><u>\$ 695,380</u></u>

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
STATEMENT OF RESTRICTED FUNDS
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 11)		
REVENUE			
Interest	\$ 13,000	\$ 12,823	\$ 44,451
Donations	<u>5,000</u>	<u>1,364</u>	<u>36,566</u>
	18,000	14,187	81,017
EXPENDITURE			
Maintenance of restricted funds' properties	<u>5,000</u>	<u>—</u>	<u>40,078</u>
Excess of revenue over expenditure	<u>\$ 13,000</u>	<u>14,187</u>	<u>40,939</u>
Transfers from unrestricted fund		<u>19,364</u>	<u>77,079</u>
Increase in restricted funds during the period		<u>33,551</u>	<u>118,018</u>
Restricted funds at beginning of period		<u>1,884,495</u>	<u>1,766,477</u>
Restricted funds at end of period		<u>\$1,918,046</u>	<u>\$1,884,495</u>

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994	Year Ended March 31, 1994
		(Note 3)
Operating activities:		
Excess (deficiency) of revenue over expenditure:		
Unrestricted fund	\$ 891,161	\$ (392,380)
Restricted funds	<u>14,187</u>	<u>40,939</u>
	905,348	(351,441)
Add non-cash charges:		
Loss on sale of capital assets	8,756	—
Amortization	<u>4,286</u>	<u>14,594</u>
	918,390	(336,847)
Decrease (increase) in non-cash working capital	(1,363,511)	978,012
Trust fund paid out	<u>—</u>	<u>(26,000)</u>
Cash provided by (used in) operating activities	<u>(445,121)</u>	<u>615,165</u>
Investing activities:		
Acquisitions:		
Land	—	(168,400)
Other capital assets	(39,713)	(23,289)
Proceeds from sale of capital assets	1,400	—
Land transferred to fish and game associations	<u>—</u>	<u>51,100</u>
Cash used in investing activities	<u>(38,313)</u>	<u>(140,589)</u>
Financing activity:		
Donations of land	<u>—</u>	<u>89,300</u>
Increase (decrease) in cash during the period	(483,434)	563,876
Cash at beginning of period	<u>4,324,301</u>	<u>3,760,425</u>
Cash at end of period	<u>\$3,840,867</u>	<u>\$4,324,301</u>

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1994

Note 1 Authority

The Recreation, Parks and Wildlife Foundation (the "Foundation") operated under the authority of the Recreation, Parks and Wildlife Foundation Act, Chapter R-9, Revised Statutes of Alberta 1980, as amended.

On April 1, 1994, the Foundation assumed responsibility for providing services to non-profit organizations at the Percy Page Centre from the Tourism, Parks and Recreation Revolving Fund.

On July 1, 1994, the Alberta Sport, Recreation, Parks and Wildlife Foundation Act was proclaimed under which The Recreation, Parks and Wildlife Foundation ceased to exist and its assets, liabilities, rights and obligations became vested in the newly established Alberta Sport, Recreation, Parks and Wildlife Foundation.

Note 2 Significant Accounting Policies

Revenue and Expenditure

Transactions are grouped, for reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

- The unrestricted fund accounts for revenue and expenditure associated with the primary activities of the Foundation.
- The restricted funds account for contributions received from donors, who have imposed conditions on how the funds are to be used, some matching funds provided by the Foundation and the interest earned on these contributions.

Project Revenue

Some grant expenditures require that a percentage of the revenue generated be returned to the Foundation. The Foundation records the amounts as project revenue in the year in which it determines the amounts due.

Inventory

Inventory is valued at the lower of cost and estimated net realizable value.

Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at estimated fair market value at date of acquisition. Office furniture and equipment are amortized over their estimated useful lives on a straight-line basis at rates of 10% and 25% per annum, respectively. Leasehold improvements are amortized over the term of the lease.

Grants Payable

Grants are recorded as liabilities and expenditure when approved by the Foundation and all significant conditions required to qualify for the grant have been met by the grant recipient.

Note 3 Change in Accounting Policy

Unrestricted Fund

The Foundation has changed its policy for recording revenues arising from donated land. Previously, the value of donated land was recorded as revenue.

Under the new policy, the value of donated land is recorded as a direct increase in fund balance. This change in accounting policy has been applied retroactively, and accordingly the 1994 figures have been restated. The effect of this change is that 1994 donation revenue decreased by \$89,300 and the deficiency of revenue over expenditure increased by the same amount. This change has had no effect on 1995 revenue or expenditure or on the balance sheet for both years.

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. Interest is earned on the daily cash balance at the average rate of interest earnings of the Fund.

Note 5 Capital Assets

	June 30, 1994			March 31, 1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
For administrative use:				
Leasehold improvements	\$ 20,675	\$ 1,033	\$ 19,642	\$ —
Office equipment	73,631	41,917	31,714	17,599
Office furniture	49,628	40,121	9,507	8,993
Artworks and other	29,620	—	29,620	38,620
	<u>173,554</u>	<u>83,071</u>	<u>90,483</u>	<u>65,212</u>
Land for recreation, park and wildlife use:				
Use restricted by donors	738,500	—	738,500	738,500
Unrestricted	146,300	—	146,300	146,300
	<u>884,800</u>	<u>—</u>	<u>884,800</u>	<u>884,800</u>
	<u>\$1,058,354</u>	<u>\$ 83,071</u>	<u>\$ 975,283</u>	<u>\$ 950,012</u>

Note 6 Grant Expenditure

Grant expenditure (refunds) are summarized by program as follows:

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	Budget	Actual	Actual
Provincial recreation association enrichment	\$ —	\$ 223,005	\$1,478,150
Active lifestyle	97,000	92,614	1,000,573
Recreation	18,000	7,948	1,593,902
Wildlife	—	—	288,161
Youth-in-action	300	(885)	90,008
Parks, including park ventures	—	(10,068)	338,420
	<u>\$ 115,300</u>	<u>\$ 312,614</u>	<u>\$4,789,214</u>

Note 7 Project Expenditure

Project expenditure is summarized as follows:

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	Budget	Actual	Actual
Rick Hansen Centre	\$100,000	\$100,000	\$400,000
Park ventures	500	500	16,673
School books program	—	—	60,375
Alberta Fitness leadership	—	—	29,600
Focus on Active Living	—	—	23,396
Success in fitness program	—	—	4,946
Other	—	266	17,453
	<u>\$100,500</u>	<u>\$100,766</u>	<u>\$552,443</u>

Note 8 Supplies, Services and Accommodation

Accommodation, basic office furnishings and certain other administrative costs have not been included in the Foundation's expenses. These costs are incurred and recorded by the General Revenue Fund of the Province.

Note 9 Related Party Transactions

The Alberta Sport Council and the Foundation were merged by legislation into the Alberta Sport, Recreation, Parks and Wildlife Foundation on July 1, 1994 (see note 1). The Alberta Sport Council paid the salaries and employee benefits for the Foundation's employees working at the Percy Page Centre for the three month period ended June 30, 1994. The Foundation has recorded a payable at June 30, 1994 of \$24,252 to reimburse the Council for these costs.

In the year ended March 31, 1994, the Foundation paid \$415,175 to or on behalf of a corporation, Moser Management Limited, owned by the then Executive Director of the Foundation. The payments were for:

	Three Months Ended June 30, 1994	Year Ended March 31, 1994
Salaries, wages, benefits and allowances paid to employees, including the Executive Director of the Corporation (see Note 10 ⁽³⁾)	\$ —	\$307,561
Administration fees and expenses	—	10,237
Total management fees (Schedule 2)	—	317,798
Voluntary separation payments to employees of Moser Management Limited (Schedule 2)	—	97,377
	<u>\$ —</u>	<u>\$415,175</u>

Note 10 Salaries, Wages, Benefits and Allowances

Salaries, wages, benefits and allowances are comprised of the following:

	Full Time Equivalents	Salaries and Wages ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total
<u>Three months ended June 30, 1994</u>				
Chairman	1.0	\$ —	\$ —	\$ —
Members of the Foundation	9.0	—	—	—
Program Manager	1.0	18,000	3,000	21,000
Other full-time staff (three month average \$8,081)	3.0	21,409	2,833	24,242
Part-time and casual wage staff		1,591	605	2,196
		<u>\$ 41,000</u>	<u>\$ 6,438</u>	<u>\$ 47,438⁽³⁾</u>
<u>Year Ended March 31, 1994</u>				
Chairman	1.0	\$ 4,552	\$ —	\$ 4,552
Members of the Foundation	9.0	17,378	—	17,378
Executive Director	1.0	84,156	45,008	129,164
Assistant to the Director	1.0	48,180	20,283	68,463
Secretary	1.0	28,716	8,718	37,434
Secretary	1.0	25,140	8,963	34,103
Other full-time staff (average \$23,241)	1.5	28,205	6,657	34,862
Part-time and casual wage staff		37,482	2,407	39,889
		<u>\$273,809</u>	<u>\$ 92,036</u>	<u>\$365,845⁽³⁾</u>

(1) Salaries and wages include regular pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration except vacation payouts.

(2) Benefits include vacation payouts, car allowance, car lease payments, parking, and the employer's share of all employee benefits including health care, Canada Pension Plan and unemployment insurance.

(3) The above salaries, wages, benefits and allowances are included in the following expenditures:

	Three Months Ended June 30, 1994	Year Ended March 31, 1994
Project expenditure	\$ —	\$ 7,405
Percy Page Centre expenditure (Schedule 1) - Wages and benefits	24,242	—
Administration expenditure (Schedule 2):		
Contracted manpower services	21,000	—
Wages and benefits	2,196	25,589
Management fees (see Note 9)	—	307,561
Chairman and members' fees and expenses	—	21,930
Car expenses and parking	—	3,360
	<u>\$ 47,438</u>	<u>\$365,845</u>

Note 11 Budget

The budget of the Foundation for the period ended June 30, 1994 was approved by the Board of Directors on May 27, 1994 as part of the budget for the Alberta Sport, Recreation, Parks and Wildlife Foundation for the year ending March 31, 1995.

Note 12 Commitments

At June 30, 1994, the Foundation had commitments under various grant programs amounting to \$49,560.

Also, future payments required under operating leases and maintenance agreements for office equipment are as follows:

To March 31, 1995	\$ 60,612
1995-96	81,206
1996-97	78,086
1997-98	67,450
1998-99	67,450
To June 30, 1999	19,671
Balance to March 31, 2001	115,209
	<u>\$489,684</u>

All these commitments became the responsibility of the Alberta Sport, Recreation, Parks and Wildlife Foundation on July 1, 1994.

Note 13 Comparative Figures

Certain March 31, 1994 figures have been reclassified to conform to June 30, 1994 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by the Chairman and management of the Alberta Sport, Recreation, Parks and Wildlife Foundation.

Schedule 1

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
SCHEDULE OF PERCY PAGE CENTRE
REVENUE AND EXPENDITURE
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994	
	Budget (Note 11)	Actual
Revenue:		
Postage	\$ 62,500	\$ 74,411
Printing	47,800	50,612
Photocopying	23,700	25,641
Telephone	19,800	22,840
Other	4,500	2,966
	<u>\$158,300</u>	<u>\$176,470</u>
Expenditure:		
Postage and postage machine rental	\$ 64,900	\$ 77,167
Photocopier rentals	31,600	31,279
Wages and benefits (Note 10)	23,800	24,242
Copy charges and paper	18,700	19,827
Telephone	13,900	14,833
Contract services	8,000	7,550
Print shop supplies	2,400	4,911
Fax machine	1,485	1,485
Miscellaneous	3,060	7,979
	<u>\$167,845</u>	<u>\$189,273</u>

THE RECREATION, PARKS AND WILDLIFE FOUNDATION
SCHEDULE OF ADMINISTRATION EXPENDITURE
FOR THE PERIOD ENDED JUNE 30, 1994

	Three Months Ended June 30, 1994		Year Ended March 31, 1994
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u>
Contracted manpower services (Note 10)	\$ —	\$ 21,000	\$ —
Professional services	500	14,675	19,594
Office relocation costs	—	10,320	—
Newsletter	8,500	9,358	35,746
Loss on sale of capital assets	—	8,756	—
Office supplies and expenses	5,200	6,733	54,085
Travel	3,700	5,112	21,419
Amortization	4,000	4,286	14,594
Telephone	1,800	2,488	7,244
Wages and benefits (Note 10)	—	2,196	25,589
Meetings and entertainment	1,300	1,664	24,911
Publicity	—	447	54,470
Delivery and transportation	100	76	1,801
Car expenses and parking	—	25	13,486
Management fees (Note 9)	30,000	—	317,798
Voluntary separation payments (Note 9)	—	—	97,377
Chairman and members' fees and expenses (Note 10)	—	—	21,930
Miscellaneous	800	570	8,291
	<u>\$ 55,900</u>	<u>\$ 87,706</u>	<u>\$718,335</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Development Fund Income and Expenditure
Statement of Operating Fund Income, Expenditure and Fund Balance
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Motion Picture Development Corporation

I have audited the balance sheet of the Alberta Motion Picture Development Corporation as at March 31, 1995 and the statements of development fund income and expenditure, operating fund income, expenditure and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 5, 1995

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
BALANCE SHEET
MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (Note 3)
ASSETS		
Development Fund		
Cash	\$ 684,523	\$1,499,109
Operating Fund		
Cash	84,886	42,727
Accounts receivable	1,192	1,520
Prepaid expenses	2,733	7,153
Capital assets (Note 4)	20,761	24,178
	<u>109,572</u>	<u>75,578</u>
	<u>\$ 794,095</u>	<u>\$1,574,687</u>
LIABILITIES		
Development Fund		
Due to Motion Picture Development Fund	\$ 684,523	\$1,499,109
Operating Fund		
Accounts payable	16,970	14,913
Fund balance	92,602	60,665
	<u>109,572</u>	<u>75,578</u>
	<u>\$ 794,095</u>	<u>\$1,574,687</u>

The accompanying notes are part
of these financial statements.

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
STATEMENT OF DEVELOPMENT FUND INCOME AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Income:		
Recoveries from producers - production financing advances	\$ 207,569	\$ 209,942
Recoveries from producers - research and development advances	87,001	32,385
Bank interest	51,306	28,775
	<u>345,876</u>	<u>271,102</u>
Expenditure:		
Disbursements to producers for production financing	1,602,576	1,447,941
Disbursements to producers for research and development	57,886	74,456
	<u>1,660,462</u>	<u>1,522,397</u>
Excess of expenditure over income prior to transfers from the Motion Picture Development Fund	(1,314,586)	(1,251,295)
Transfers from the Motion Picture Development Fund	500,000	1,750,000
Excess (deficiency) of income over expenditure after transfers from the Motion Picture Development Fund	(814,586)	498,705
Due to Motion Picture Development Fund at beginning of the year	1,499,109	1,000,404
Due to Motion Picture Development Fund at end of the year	<u>\$ 684,523</u>	<u>\$ 1,499,109</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
STATEMENT OF OPERATING FUND INCOME,
EXPENDITURE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 6)		(Note 3)
Income:			
Contribution from the Province of Alberta	\$412,580	\$412,580	\$412,580
Expenditure:			
Salaries and employee benefits	202,000	184,467	202,394
Travel, industry consultation and conferences	73,420	61,101	57,800
Supplies, services, equipment and maintenance	53,735	55,680	44,881
Professional fees	32,125	37,515	19,952
Office rental	31,300	30,292	43,497
Amortization of capital assets	12,000	7,021	7,507
Honoraria - Board and committee members	8,000	4,567	4,427
	<u>412,580</u>	<u>380,643</u>	<u>380,458</u>
Excess of income over expenditure	\$ —	31,937	32,122
Fund balance at beginning of year, as previously reported		60,665	(181)
Adjustment to reflect change in accounting policy (Note 3)			28,724
Fund balance at beginning of year, as restated			<u>28,543</u>
Fund balance at end of year		<u>\$92,602</u>	<u>\$ 60,665</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Excess (deficiency) of income over expenditure	\$(1,282,649)	\$(1,219,173)
Add item not affecting cash:		
Amortization	7,021	7,507
Changes in non-cash working capital balances:		
Accounts receivable	328	(705)
Prepaid expenses	4,420	387
Accounts payable	2,057	(17,219)
Cash provided by (used in) operations	<u>(1,268,823)</u>	<u>(1,229,203)</u>
Investing activities:		
Purchase of capital assets	(3,604)	(6,886)
Proceeds from sale of capital assets	—	3,925
Cash used in investing activities	<u>(3,604)</u>	<u>(2,961)</u>
Financing activity:		
Transfer from Motion Picture Development Fund	500,000	1,750,000
Increase (decrease) in cash	<u>(772,427)</u>	<u>517,836</u>
Cash at beginning of year	1,541,836	1,024,000
Cash at end of year	<u>\$ 769,409</u>	<u>\$ 1,541,836</u>
Represented by:		
Development fund	\$ 684,523	\$ 1,499,109
Operating fund	84,886	42,727
	<u>\$ 769,409</u>	<u>\$ 1,541,836</u>

ALBERTA MOTION PICTURE DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority

The Alberta Motion Picture Development Corporation operates under the authority of the Motion Picture Development Act, Chapter M-19.1, Statutes of Alberta 1981, as amended.

Funding Relationship

The Motion Picture Development Act established both the Alberta Motion Picture Development Corporation (the Corporation) and the Motion Picture Development Fund (the Fund). The Act allows the Province's General Revenue Fund to advance up to \$10 million to the Fund. At March 31, 1995, the Fund had received the entire \$10 million, of which \$2,089,334 was on deposit in the Fund's Consolidated Cash Investment Trust Fund account.

Contributions from the Fund are paid into the Corporation's Development Fund and used to make disbursements to Alberta companies operating in the motion picture industry. In addition to disbursements made during the current year, the Corporation continues to oversee productions that received funding in previous years.

In December 1994, the Treasury Board decided that the Fund will be wound down in 1995-96 and the remaining assets and liabilities of the Fund transferred to the Corporation. The Fund's balance in the Consolidated Cash Investment Trust Fund was transferred to the Corporation in April 1995.

The Corporation is dependent upon funding from the General Revenue Fund. Continued funding is based on a future decision of the Natural Resources and Sustainable Development Committee.

Note 2 Significant Accounting Policies

Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful life on the following basis:

Video equipment	20% declining balance
Office equipment	30% declining balance
Office furniture	20% declining balance

Disbursements to Producers

Disbursements to producers are accounted for as expenditures in the year in which they are paid. Repayments and interest earned are accounted for as income of the Corporation's Development Fund in the year in which they are received.

Contributions received from the Province of Alberta

Contributions received from the Province of Alberta are recorded as revenue in the year for which they are approved.

Note 3 Change in Accounting Policy

Previously, the costs of capital assets were charged to operations in the year of acquisition. Capital assets were shown on the balance sheet at cost with a corresponding credit to equity in capital assets. Under the new accounting policy, the costs of acquiring capital assets are capitalized, and amortization is charged to operations on the basis described in Note 2.

This change in accounting policy has been applied retroactively and has resulted in the following restatements of the 1994 comparative figures:

	As previously reported	As restated
Balance Sheet		
Capital assets	\$71,911	\$24,178
Equity in capital assets	\$71,911	\$ —
Fund balance	\$36,487	\$60,665
Statement of Operating Fund Income		
Sale of assets	\$ 3,925	\$ —
Capital assets	\$ 6,886	\$ —
Amortization of capital assets	\$ —	\$ 7,507
Excess of income over expenditure	\$36,668	\$32,122
Fund balance (deficit) at beginning of year	\$ (181)	\$28,543

If the change in accounting policy had not been made, the excess (deficiency) of revenue over expenditure for the year and the fund balance at the end of the year would have been \$35,354 and \$71,841 respectively.

Note 4 Capital Assets

	1995			1994
	Cost	Accumulated Amortization	Net	Net
Video equipment	\$ 3,802	\$ 3,398	\$ 404	\$ 505
Office equipment	35,768	20,805	14,963	16,931
Office furniture	35,946	30,552	5,394	6,742
	<u>\$75,516</u>	<u>\$54,755</u>	<u>\$20,761</u>	<u>\$24,178</u>

Note 5 Commitments and Contingencies

(a) At March 31, 1995, the Corporation was committed to making research and development, and production financing disbursements of \$1,904,326 (1994 \$2,402,593) to producers of motion pictures.

(b) Future operating lease obligations relating to office space are as follows:

Year ending March 31, 1996	\$30,672
Year ending March 31, 1997	\$25,560

(c) Potential Repayments

At March 31, 1995, the net amount advanced to active productions, and for which there is potential repayment, totalled \$8,417,012.

Note 6 Budget

The Corporation's 1994-95 operating budget was approved by the Board on July 20, 1994. There is no budget for the Development Fund.

Note 7 Disclosure of Salaries and Benefits

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾ and Honoraria	Benefits ⁽²⁾ and Allowances	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 1,002	\$ —	\$ 1,002	1	\$ 712
Board members	5 ⁽³⁾	2,869	—	2,869	5 ⁽³⁾	1,915
	6	3,871	—	3,871	6	2,627
Advisory Committee	5	696	—	696	5	1,800
	11	\$ 4,567	\$ —	\$ 4,567	11	\$ 4,427
General Manager	1	\$ 54,870	\$ 12,165	\$ 67,035	1	\$ 70,212
Other full-time staff (average 1995 \$36,107, 1994 \$41,661)	3	96,302	12,020	108,322	3	124,982
Casual	—	9,110	—	9,110	—	7,200
	4	\$160,282	\$ 24,185	\$184,467	4	\$202,394

(1) Salary includes regular base pay to employees and honoraria for the Board of Directors.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, group life and medical insurance.

(3) Includes one board member who receives no honorarium.

Note 8 Comparative Figures

The 1994 figures have been reclassified where necessary to conform to 1995 presentation.

Note 9 Approval of Financial Statements

These financial statements were approved by Management.

ALBERTA OPPORTUNITY COMPANY
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expense and Accumulated Deficit
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Board of Directors of Alberta Opportunity Company

I have audited the balance sheet of Alberta Opportunity Company as at March 31, 1995 and the statements of revenue, expense and accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 3, 1995

ALBERTA OPPORTUNITY COMPANY
BALANCE SHEET
MARCH 31, 1995
(in thousands)

	<u>1995</u>	<u>1994</u>
ASSETS		
Cash	\$ 10,333	\$ 8,306
Accounts receivable	65	86
Property held for sale (Note 3)	291	1,032
Loans receivable (Note 4)	75,612	80,256
Venture investments (Note 5)	—	921
Seed investments (Note 6)	—	265
Capital assets (Note 7)	410	480
	<u>\$ 86,711</u>	<u>\$ 91,346</u>
LIABILITIES AND ACCUMULATED DEFICIT		
Accounts payable and accrued expenses	\$ 1,396	\$ 1,627
Promissory note payable (Note 8)	20,526	—
Subordinated notes payable (Note 9)	6,292	12,294
Debentures payable (Note 10)	78,398	105,868
Pension obligations (Note 11)	1,062	1,121
	<u>107,674</u>	<u>120,910</u>
Accumulated deficit	(20,963)	(29,564)
	<u>\$ 86,711</u>	<u>\$ 91,346</u>

The accompanying notes are part
of these financial statements.

ALBERTA OPPORTUNITY COMPANY
STATEMENT OF REVENUE, EXPENSE AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands)

	<u>1995</u>		<u>1994</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 18)		
Revenue:			
Interest	\$ 8,505	\$ 9,389	\$ 10,121
Bad debt recoveries	475	980	614
Gain on sale of investments	—	829	4
Application and consulting fees	75	155	—
Conference income	—	—	151
Grant from the Province of Alberta for the assistance of small business	13,447	13,447	17,500
	<u>22,502</u>	<u>24,800</u>	<u>28,390</u>
Expense:			
Interest	9,972	9,572	11,812
Operations (Note 12)	7,328	6,107	8,416
Provision for doubtful accounts and losses on realization (Note 14)	2,165	380	3,219
Loss (income) on property held for sale	150	140	(17)
	<u>19,615</u>	<u>16,199</u>	<u>23,430</u>
Net income for the year	2,887	8,601	4,960
Accumulated deficit, beginning of year	(29,564)	(29,564)	(34,524)
Accumulated deficit, end of year	<u>\$ (26,677)</u>	<u>\$ (20,963)</u>	<u>\$ (29,564)</u>

ALBERTA OPPORTUNITY COMPANY
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands)

	1995		1994
	Budget	Actual	Actual
	(Note 18)		
Cash provided by (used for):			
Operating activities:			
Net income for the year	\$ 2,887	\$ 8,601	\$ 4,960
Items not involving cash:			
Provision for doubtful accounts and losses on realization	2,165	380	3,219
Amortization of capital assets	206	151	206
Amortization of note discount	—	202	—
Gain on sale of investments	—	(829)	(4)
Loss (gain) on sale of property	(50)	9	(199)
Pension liability increase (decrease)	27	(59)	27
Net change in other assets and liabilities	(27)	(210)	(523)
	<u>5,208</u>	<u>8,245</u>	<u>7,686</u>
Investing activities:			
Loans receivable disbursed	(25,000)	(23,137)	(21,597)
Loans receivable repaid	24,850	26,251	36,834
Venture and seed investments disbursed	—	(176)	(1,244)
Proceeds from sale of investments	400	3,242	470
Proceeds from sale of property	555	831	1,466
Payment of bank guarantees called	(250)	—	(892)
Other	(450)	(81)	(89)
	<u>105</u>	<u>6,930</u>	<u>14,948</u>
Financing activities:			
Proceeds of promissory note	—	20,324	—
Repayment of subordinated notes	(3,891)	(6,002)	(3,462)
Proceeds of debentures	20,000	—	10,000
Repayment of debentures	(21,258)	(27,470)	(32,494)
	<u>(5,149)</u>	<u>(13,148)</u>	<u>(25,956)</u>
Increase (decrease) in cash	164	2,027	(3,322)
Cash at beginning of year	8,306	8,306	11,628
Cash at end of year	<u>\$ 8,470</u>	<u>\$ 10,333</u>	<u>\$ 8,306</u>

ALBERTA OPPORTUNITY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995
(tabular amounts in thousands of dollars)

Note 1 Authority and purpose

Alberta Opportunity Company operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

Note 2 Significant accounting policies

Loans receivable:

Interest revenue is accrued on loans until such time as a loan is classified as non-accrual. Interest on non-accrual loans is recognized as revenue when cash is received.

The provision for doubtful accounts represents Management's best estimate of probable losses on loans outstanding. The provision has a specific and a general component. The specific provision is established following a detailed review on a loan-by-loan basis. The general provision is based on historical experience to cover losses that have not been specifically identified.

Property held for sale:

Property held for sale is valued at the lower of cost and estimated net realizable value. Operating costs less rental revenues are expensed.

Venture and seed investments:

Venture and seed investments are valued at the lower of cost and estimated net realizable value. The Company is in the process of divesting itself of all venture and seed investments.

Interest and dividends on investments are recorded as income when received.

Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	- 15%
Computer equipment	- 20%
Leasehold improvements	- term of each lease

Operating grant:

The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

Note 3 Property held for sale

	<u>1995</u>	<u>1994</u>
Cost	\$ 869	\$1,714
Less allowance for losses on realization (Note 14)	<u>578</u>	<u>682</u>
	<u>\$ 291</u>	<u>\$1,032</u>

Note 4 Loans receivable

	<u>1995</u>	<u>1994</u>
Loans and accrued interest receivable	\$84,957	\$89,671
Less allowance for doubtful accounts (Note 14)	<u>9,345</u>	<u>9,415</u>
	<u>\$75,612</u>	<u>\$80,256</u>

Loans on average have a term between four and five years and are secured by general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.6% (9.1% in 1994).

Note 5 Venture investments

	<u>1995</u>	<u>1994</u>
Preferred shares	\$ 553	\$1,694
Common shares	100	3,782
Shareholder loans	<u>—</u>	<u>69</u>
	653	5,545
Less allowance for losses on realization (Note 14)	<u>653</u>	<u>4,624</u>
	<u>\$ —</u>	<u>\$ 921</u>

Note 6 Seed investments

	<u>1995</u>	<u>1994</u>
Convertible debentures	\$ —	\$ 100
Preferred shares	50	665
Common shares	100	1,648
Shareholder loans	<u>136</u>	<u>119</u>
	286	2,532
Less allowance for losses on realization (Note 14)	<u>286</u>	<u>2,267</u>
	<u>\$ —</u>	<u>\$ 265</u>

Note 7 Capital assets

	<u>1995</u>		<u>1994</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Equipment	\$1,352	\$1,032	\$ 320
Leasehold improvements	<u>300</u>	<u>210</u>	<u>90</u>
	<u>\$1,652</u>	<u>\$1,242</u>	<u>\$ 410</u>
			<u>\$ 480</u>

Note 8 Promissory note payable

During the year the Company borrowed \$20,323,820 from the General Revenue Fund of the Province of Alberta and issued a promissory note in the amount of \$22,000,000, due on February 15, 1996. The discount of \$1,676,180, which represents interest at an annual rate of 8.27%, is being amortized over the period to maturity and recorded as interest expense. The liability as at March 31, 1995 is as follows:

Face value of note	\$22,000
Unamortized discount	<u>1,474</u>
	<u>\$20,526</u>

Note 9 Subordinated notes payable

Financing made available by the General Revenue Fund of the Province of Alberta in support of the Company's venture and seed investments is provided on issue of subordinated notes payable. The notes rank subordinate to liabilities secured by debentures. Repayment terms require repayment of the principal sum without interest on the disposition of an investment or on demand by the Province (see Note 17).

Note 10 Debentures payable

Debentures are payable to the Province of Alberta and held by the Alberta Heritage Savings Trust Fund as follows:

	<u>Interest rates</u>	<u>Maturity dates</u>	<u>1995</u>	<u>1994</u>
Series D	11.28%	March 31, 1997	\$ 16,861	\$ 24,002
Series E	7.71%	March 31, 1997		
	to 10.29%	to March 31, 2001	53,270	71,866
Series F	7.05%	March 31, 1999	8,267	10,000
			<u>\$ 78,398</u>	<u>\$105,868</u>

Scheduled principal repayments are as follows:

1996	\$20,756
1997	22,847
1998	10,838
1999	10,814
2000	8,329
2001	4,814
	<u>\$78,398</u>

Note 11 Pension obligations

The Company participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Company's employees based on years of service and earnings.

The Company had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	<u>1995</u>	<u>1994</u>
Public Service	\$ 271	\$ 279
Management Employees	791	842
	<u>\$1,062</u>	<u>\$1,121</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuation as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Company's portion of those employers' liabilities was based on the Company's percentage of the total pensionable payroll of all employers.

Note 12 Operations

	<u>1995</u>	<u>1994</u>
Salaries and benefits	\$4,379	\$5,826
Severance	—	332
Board of Directors fees	99	100
Legal and other fees	58	183
Communications	283	633
Occupancy	616	691
Amortization of capital assets	151	206
Other	521	445
	<u>\$6,107</u>	<u>\$8,416</u>

Note 13 Board fees, salaries, wages and benefits

	1995			1994		
	Number of individuals	Salary ⁽¹⁾	Benefits ⁽²⁾	Total	Number of individuals	Total
Chairman of the Board	1	\$ 15	\$ —	\$ 15	1	\$ 13
Board Members	8	84	—	84	9	87
Total Board fees	9	\$ 99	\$ —	\$ 99	10	\$ 100
President and CEO ⁽³⁾	1	\$ 95	\$ 19	\$ 114	1	\$ 110
Vice Presidents:						
Lending	1	88	19	107	1	111
Finance	1	66	12	78	1	92
Assistant Vice Presidents:						
Lending (average 1995 \$90, 1994 \$93)	2	154	25	179	2	186
Other managers (average 1995 \$73, 1994 \$82)	12	715	165	880	17	1,401
Other salaried staff:						
Professional staff (average 1995 \$56, 1994 \$56)	38	1,857	274	2,131	48	2,699
Clerical staff (average 1995 \$30, 1994 \$32)	26	653	122	775	39	1,265
Non-salaried staff:						
Clerical staff (average 1995 \$29)	6	154	20	174	—	—
	87	3,782	656	4,438	109	5,864
Increase (decrease) in pension liability	—	—	(59)	(59)	—	27
Decrease in vacation pay accrual	—	—	—	—	—	(65)
Total staff	87	\$3,782	\$ 597	\$4,379	109	\$5,826

(1) Salary includes regular base pay, overtime and Board of Directors fees.

(2) Benefits includes the Company's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan and vacation payouts.

(3) Automobile provided, no amount included for benefits.

Note 14 Provision for doubtful accounts and losses on realization

	1995				1994	
	Property held for sale	Loans receivable	Venture investments	Seed investments	Total	Total
Allowance, beginning of year	\$ 682	\$ 9,415	\$ 4,624	\$ 2,267	\$16,988	\$20,764
Provision (recovery)	63	1,368	(1,262)	211	380	3,219
Accounts written off	—	(1,438)	(2,709)	(2,192)	(6,339)	(6,696)
Reversal on sale	(167)	—	—	—	(167)	(299)
Allowance, end of year	\$ 578	\$ 9,345	\$ 653	\$ 286	\$10,862	\$16,988

Note 15 Contingent liabilities

Guarantees of bank loans:

The Company is contingently liable as a guarantor of bank loans as follows:

	1995	1994
Guarantees	\$1,885	\$1,127
Export guarantees	2,750	2,862
	<u>\$4,635</u>	<u>\$3,989</u>

Legal actions:

There are three claims against the Company totalling approximately \$975,000. The Company considers that a valid defense exists in each instance and no material loss is anticipated.

Bank guarantees called:

Accounts payable includes three bank guarantees called totalling \$683,000 which are in dispute or under review with the respective financial institutions.

Venture investments:

The Company is contingently liable as an indemnitor of a Stock Purchase Agreement with a two year representation and warranty period ending August 9, 1996. The potential maximum liability is \$910,000. The likelihood of future claims arising is not determinable.

General:

In the event that the Company incurs a loss on the foregoing matters, the loss will be accounted for as a charge to income in the year that the loss is determined.

Note 16 Commitments

Authorizations undisbursed:

	<u>1995</u>	<u>1994</u>
Loans	\$7,344	\$7,404
Seed investments	—	211
	<u>\$7,344</u>	<u>\$7,615</u>
Authorizations unimplemented:		
Guarantees	\$1,925	\$ 75
Export guarantees	235	750
	<u>\$2,160</u>	<u>\$ 825</u>

Note 17 Subsequent events

On December 5, 1994, the Alberta Treasury Board approved a plan to eliminate the Company's accumulated deficit early in the next fiscal year. Funds from a \$27 million deficit elimination disbursement will be utilized to fully repay outstanding subordinated notes payable, with the balance of funds applied against debentures payable.

Note 18 Budget (unaudited)

The 1995 budget was finalized by Management on February 7, 1994 and is presented for comparison with the 1995 actual figures.

Note 19 Comparative figures

The 1994 figures have been reclassified where necessary to conform to 1995 presentation.

Note 20 Approval of Financial Statements

These financial statements were approved by Management.

ALBERTA RESEARCH COUNCIL
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue and Expenditure
Statement of Operating Equity
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Expenditure by Sector

AUDITOR'S REPORT

To the Board of Directors of
the Alberta Research Council

I have audited the balance sheet of the Alberta Research Council as at March 31, 1995 and the statements of revenue and expenditure, operating equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Research Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Research Council as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 17, 1995

ALBERTA RESEARCH COUNCIL
BALANCE SHEET
AS AT MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash	\$11,538	\$10,117
Accounts receivable (Note 5)	4,128	5,686
Accrued income receivable	564	713
Prepaid expenses	<u>173</u>	<u>206</u>
	16,403	16,722
Non-current:		
Investment in limited partnership (Note 6)	100	100
Capital:		
Assets (Note 7)	<u>12,578</u>	<u>14,097</u>
	29,081	30,919
Trust Fund:		
Cash	<u>159</u>	<u>65</u>
	<u>\$29,240</u>	<u>\$30,984</u>
LIABILITIES AND EQUITY		
Current:		
Accounts payable and accrued liabilities	\$ 6,069	\$ 5,851
Unearned contract revenue	<u>972</u>	<u>1,126</u>
	7,041	6,977
Long-term:		
Pension liability (Note 8)	<u>2,679</u>	<u>3,026</u>
Equity:		
Operating	17,245	18,114
Reserve (Note 11)	<u>2,116</u>	<u>2,802</u>
	<u>19,361</u>	<u>20,916</u>
	29,081	30,919
Trust Fund:		
Liability	<u>159</u>	<u>65</u>
	<u>\$29,240</u>	<u>\$30,984</u>

The accompanying notes and schedule are
part of these financial statements.

ALBERTA RESEARCH COUNCIL
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	1995		1994
	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
REVENUE			
Grants from Province of Alberta:			
General Revenue Fund	\$22,547	\$22,547	\$24,629
Contract revenue:			
Commercial	15,259	15,142	18,039
Alberta government departments and agencies	4,706	4,304	6,453
Royalties and licensing fees	230	245	—
	<u>42,742</u>	<u>42,238</u>	<u>49,121</u>
EXPENDITURE - Schedule 1			
Salaries, wages and benefits (Note 14)	26,178	25,437	29,694
Supplies and services	13,887	14,306	14,840
Amortization	4,341	3,320	3,832
Loss on disposal of capital assets	—	730	27
	<u>44,406</u>	<u>43,793</u>	<u>48,393</u>
Net revenue (expenditure) for the year	<u>\$ (1,664)</u>	<u>\$ (1,555)</u>	<u>\$ 728</u>
Net revenue (expenditure) for the year comprises:			
Net expenditure from continuing operations	\$ (1,205)	\$ (112)	\$ (259)
Net revenue (expenditure) from discontinued operations (Note 4)	(459)	(1,443)	987
	<u>\$ (1,664)</u>	<u>\$ (1,555)</u>	<u>\$ 728</u>

ALBERTA RESEARCH COUNCIL
STATEMENT OF OPERATING EQUITY
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	1995		1994
	<u>Budget</u> (Note 15)	<u>Total</u>	<u>Total</u>
Equity at beginning of year			
As previously reported:			
Operating equity	\$18,114	\$ 4,017	\$ 918
Capital equity (1994 - as restated)	—	17,916	17,916
	<u>18,114</u>	<u>21,933</u>	<u>18,834</u>
Prior period capital asset adjustment (Note 7)	—	(3,819)	(3,646)
Operating equity, as restated	18,114	18,114	15,188
Net revenue (expenditure) for the year	(1,664)	(1,555)	728
Transfers from reserve (Note 11)	686	686	2,198
Operating equity at end of year	<u>\$17,136</u>	<u>\$17,245</u>	<u>\$18,114</u>

ALBERTA RESEARCH COUNCIL
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	1995	1994
Operating activities:		
Net expenditure for the year from continuing operations	\$ (112)	\$ (259)
Items not affecting cash:		
Amortization	2,922	3,218
Loss on disposal of capital assets	71	27
Write down of investment in limited partnership	—	100
Other	—	73
Net change in non-cash balances (Note 12)	<u>1,457</u>	<u>(813)</u>
	<u>4,338</u>	<u>2,346</u>
Net revenue (expenditure) for the year from discontinued operations (Note 4)	(1,443)	987
Items not affecting cash:		
Amortization	398	614
Loss on disposal of capital assets	659	—
	<u>(386)</u>	<u>1,601</u>
	<u>3,952</u>	<u>3,947</u>
Investing activities:		
Capital asset additions for continuing operations	(2,657)	(3,376)
Proceeds on disposal of capital assets from continuing operations	44	7
Capital asset additions for discontinued operations	(100)	(317)
Proceeds on disposal of capital assets from discontinued operations	182	—
	<u>(2,531)</u>	<u>(3,686)</u>
Increase in cash	1,421	261
Cash at beginning of year	10,117	9,856
Cash at end of year	<u>\$11,538</u>	<u>\$10,117</u>

ALBERTA RESEARCH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Research Council operates under the authority of the Alberta Research Council Act, Chapter A-35.1, Statutes of Alberta 1981. The Alberta Research Council is a Provincial corporation owned by the Government of Alberta and is exempt from income tax.

The Alberta Research Council, with its valued clients and partners, will advance the economy of the Province by promoting technology development and application, performing applied research and development and providing expert advice, technical information, and scientific infrastructure.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Amortization

Capital assets are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Leasehold improvements	Twenty-five years
Equipment	Three to twenty years
Furniture and fixtures	Five years
Computer equipment and software	Three years

(b) Patents

Expenditures for patents owned by the Research Council as a result of research activity are not capitalized due to the uncertain value of benefits which may accrue to the Research Council.

(c) Revenue Recognition

Contract revenue is recognized as costs are incurred, up to the contract maximum and in accordance with contracted cost-sharing ratios. The Research Council makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Operating grants are recognized as revenue in the year the grant is approved.

(d) Trust Liability

Trust funds are contributions received from Alberta government departments under research agency agreements which require the Research Council to administer the contributions and provide accounting services.

(e) Pension

The Alberta government requires the Research Council to record unfunded pension liabilities relating to Research Council employees who are members of the Public Service Pension Plan and the Management Employees Pension Plan. Pension costs comprise the cost of pension obligations earned by employees during the year and interest on the portion of unfunded pension liabilities. Liabilities include the portion of unfunded pension liabilities for which the Research Council is responsible.

Note 3 Change in Accounting Policy

The Research Council has retroactively changed the way it accounts for capital assets. Previously, purchases of capital assets were charged to operations in the year of acquisition. Capital assets were shown on the balance sheet at an amortized value with an offsetting credit to capital assets equity. All capital asset purchases are now capitalized on the balance sheet and amortization is charged to operations on the basis described in Note 2(a). If the change in accounting policy had not been made, net expenditure for 1995 would have decreased by \$1,519,021 and net revenue for 1994 would have increased by \$173,061.

Note 4 Discontinued Operations

During the year, the Research Council discontinued the following operations as part of its business plan:

- (a) On January 3, 1995, the Research Council sold its Electronic Test Centre to a private sector organization. Under the sale agreement, the Research Council received \$182,415 for capital assets with a net book value of \$585,535. In addition, the Research Council provided the purchaser with \$500,000 as working capital to assist in establishing a viable electronic testing business.
- (b) On February 28, 1995, the Research Council's Geological Survey department, including capital assets with a net book value of \$255,385, was transferred for no consideration to the Alberta Department of Energy. As part of the transfer agreement, the Research Council transferred \$706,045 in 1995 program funds to the Department of Energy.

The statement of revenue and expenditure reflects the activities of the Research Council before deducting discontinued operations from both revenue and expenditure. The discontinued operations included in the statement of revenue and expenditure are as follows:

	1995	1994
Revenue		
Grants from the General Revenue Fund	\$ 2,321,000	\$ 2,979,000
Contract revenue from Alberta government departments and agencies	1,467,072	2,443,133
Contract revenue from third parties	878,436	1,109,966
	<u>4,666,508</u>	<u>6,532,099</u>
Expenditure		
Salaries, wages and benefits	3,233,568	3,252,819
Supplies and services	1,819,929	1,679,160
Amortization	397,937	613,597
Loss on disposal of capital assets	658,505	—
	<u>6,109,939</u>	<u>5,545,576</u>
Net revenue (expenditure) for the year	<u>\$(1,443,431)</u>	<u>\$ 986,523</u>

The only significant amount included in the balance sheet is as follows:

	1995	1994
Net book value of capital assets	<u>\$ —</u>	<u>\$1,140,221</u>

Note 5 Accounts Receivable

	1995	1994
Commercial	\$3,320,353	\$3,933,777
Alberta government departments and agencies	807,685	1,751,810
	<u>\$4,128,038</u>	<u>\$5,685,587</u>

Note 6 Investment in Limited Partnership

The Research Council has purchased one limited partnership unit comprising 11% in Spurt Investment Fund I, a venture capital fund designed solely to make equity investments in seed and early stage technology enterprises.

	1995	1994
Original cost	\$300,000	\$300,000
Less: Amount written off	<u>200,000</u>	<u>200,000</u>
Book value	<u>\$100,000</u>	<u>\$100,000</u>

Note 7 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	\$ 4,759,963	\$ 1,143,139	\$ 3,616,824	\$ 3,862,540
Equipment	31,307,453	24,395,569	6,911,884	7,769,654
Furniture and fixtures	883,424	769,247	114,177	89,971
Computer equipment and software	<u>16,583,156</u>	<u>14,648,049</u>	<u>1,935,107</u>	<u>2,374,835</u>
	<u>\$53,533,996</u>	<u>\$40,956,004</u>	<u>\$12,577,992</u>	<u>\$14,097,000</u>

During the year, the Research Council retroactively reduced capital assets and capital assets equity as at April 1, 1994 by \$3,646,166. Of this amount, \$2,896,665 represents the cost of capital assets held on behalf of other Alberta government departments and agencies and third parties which were previously carried on the balance sheet. The remaining balance of \$749,501 represents the effect of increased amortization resulting from the revision in the estimated useful lives of computer software and equipment from six to three years.

Note 8 Pension Liability

The Research Council participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Research Council's employees based on years of service and earnings.

The Research Council had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995	1994
Public Service	\$1,663,000	\$1,988,000
Management Employees	<u>1,016,000</u>	<u>1,038,000</u>
	<u>\$2,679,000</u>	<u>\$3,026,000</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations, as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Research Council's portion of those employers' liabilities was based on the Research Council's percentage of the total pensionable payroll of all employers.

Note 9 Contingencies

- (a) During 1993, a legal action, claiming an amount of \$64,407 plus damages, was commenced against the Research Council. The Research Council believes that it has substantial defenses to the claim asserted; however, the likelihood of loss or the amount of the loss is not determinable at this time. Any settlement which may occur would be accounted for as a charge against prior year's earnings at that time.
- (b) During 1993, the Research Council was made aware of a potential claim indicating that the Research Council is responsible to an unspecified extent for contamination of petroleum produced from certain oil wells due to drilling fluids in excess of recommended levels. During 1995, the Research Council was made aware of a \$1,369,491 claim naming the Research Council as one of the defendants relating to the petroleum contamination. These claims arise out of a joint venture agreement to develop a drilling fluid which would act as a fracturing agent. This matter has been referred to the insurers and the likelihood of loss or the amount of loss to the Research Council is not determinable at this time. Any settlement which may occur would be accounted for as a charge against prior years' earnings at that time.

Note 10 Obligations Under Operating Leases

Year ending March 31, 1996	\$ 70,406
1997	62,785
1998	36,307
1999	5,640
2000	<u>5,640</u>
	<u>\$180,778</u>

Note 11 Reserve

During 1993, the Research Council appropriated \$5 million from operating equity for capital requirements in future years. These amounts are returned to operating equity when the capital expenditure is incurred, or as directed by the Research Council.

	<u>1995</u>	<u>1994</u>
Balance at beginning of year	\$ 2,802,382	\$ 5,000,000
Transfers to operating equity	<u>(686,024)</u>	<u>(2,197,618)</u>
Balance at end of year	<u>\$ 2,116,358</u>	<u>\$ 2,802,382</u>

Note 12 Net Change in Non-cash Balances

	<u>1995</u>	<u>1994</u>
Accounts receivable	\$ 1,557,550	\$ 171,595
Accrued income receivable	148,872	812,879
Prepaid expenses	33,928	216,893
Accounts payable and accrued liabilities	218,172	(2,096,433)
Unearned contract revenue	(154,205)	(5,729)
Pension liability	<u>(347,000)</u>	<u>88,000</u>
	<u>\$ 1,457,317</u>	<u>\$ (812,795)</u>

Note 13 Unrecorded Related Party Transactions

(a) Occupancy and Office Furniture Expenditure

The premises occupied by the Research Council and some office furniture have been provided by the Province of Alberta at no cost. The value of support provided by the Department of Public Works, Supply and Services is as follows:

	<u>1995</u>	<u>1994</u>
Building maintenance	\$ 3,986,000	\$ 4,506,000
Capital construction	877,000	1,110,000
Grants in lieu of taxes	2,238,000	2,244,000
Lease costs	1,348,000	1,637,000
Telecommunications	<u>460,000</u>	<u>550,000</u>
	<u>\$ 8,909,000</u>	<u>\$10,047,000</u>

(b) Interest Revenue

Interest earned on the Research Council's Canadian dollar bank account is retained by the Province of Alberta. The amount of interest, which is not recorded in these financial statements, is as follows:

	<u>1995</u>	<u>1994</u>
Interest earned	<u>\$1,132,272</u>	<u>\$ 580,163</u>

PROVINCIAL AGENCIES

Note 14 Salaries, Wages and Benefits

	1995				1994	
	Number of Individuals	Salary	Benefits and Allowances	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 15,000	\$ —	\$ 15,000	1	\$ 11,641
Board members (total average \$1,284, 1994 \$517)	12	15,410	—	15,410	12	6,205
	13	30,410	—	30,410	13	17,846
President ⁽¹⁾⁽²⁾	1	110,000	48,679	158,679	1	120,943
Executive/Vice-Presidents						
Chief Financial Officer	1	82,672	8,729	91,401	1	101,806
Vice-President, R and D Operations	1	105,000	21,621	126,621	1	110,360
Vice-President, Development and Planning	1	105,000	30,827	135,827	1	112,718
Vice-President, Advanced Technologies ⁽³⁾	1	37,230	(1,574)	35,656	1	113,005
	4	329,902	59,603	389,505	4	437,889
Other managers (total average \$93,771, 1994 \$89,379)	21	1,524,690	444,503	1,969,193	24	2,145,098
Other full-time staff						
Professional staff (total average \$63,529, 1994 \$61,722)	174	9,413,297	1,640,816	11,054,113	205	12,653,029
Clerical and technical staff (total average \$42,954, 1994 \$45,161)	214	7,902,788	1,289,434	9,192,222	257	11,606,437
	388	17,316,085	2,930,250	20,246,335	462	24,259,466
Part-time and casual wage staff		960,296	106,396	1,066,692		1,142,602
Total		\$20,271,383	\$ 3,589,431	\$23,860,814		\$28,123,844

(1) Automobile provided, no amount included in benefits and allowances figure.

(2) Included in benefits and allowances is a vacation pay accrual adjustment.

(3) Position vacant since September 1, 1994.

Reconciliation of salaries, wages and benefits

Salaries, wages, and benefits	\$23,860,814	\$28,123,844
Add:		
Severance payments	1,923,348	1,244,615
Conference fees	—	178,796
Employee agencies	—	59,028
	25,784,162	29,606,283
Less: Pension obligation (recovery)	(347,000)	88,000
Total salaries, wages and benefits	\$25,437,162	\$29,694,283

Note 15 Budget

The 1995 budget was approved by the Board of Directors on March 22, 1994.

The budget approved by the Board of Directors included capital expenditures of \$4,340,807 which represents capital assets expensed in accordance with the previous accounting policy where capital assets were still being charged as a current year expense, and does not reflect the change in accounting policy (see Note 3) where amortization is charged to operations.

Note 16 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 17 Approval of Financial Statements

These financial statements were reviewed by management and the audit committee, and recommended to the Board for approval.

Schedule 1

ALBERTA RESEARCH COUNCIL
SCHEDULE OF EXPENDITURE BY SECTOR
FOR THE YEAR ENDED MARCH 31, 1995

Sector	<u>1995</u>	<u>1994</u>
Biotechnology	\$ 8,881,302	\$10,395,184
Information technologies	5,681,023	5,406,196
Manufacturing technologies	6,513,543	6,610,620
Natural resources	<u>15,303,142</u>	<u>19,199,802</u>
	36,379,010	41,611,802
Discontinued operations ⁽¹⁾	<u>7,414,209</u>	<u>6,781,333</u>
	<u>\$43,793,219</u>	<u>\$48,393,135</u>

⁽¹⁾ Includes allocated overhead costs of \$1,304,270 for 1995 (1994 \$1,235,757).

TOURISM EDUCATION FUND
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Operations and Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Tourism Education Fund as at March 31, 1995 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

I further report that, as indicated in Note 1 to the financial statements, the Fund has received revenue and incurred expenses which were outside the scope of section 3 of the Tourism Education Council Act which limits the activities of the Fund to activities related to the tourism and hospitality industries.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

TOURISM EDUCATION FUND
BALANCE SHEET
AS AT MARCH 31, 1995

	1995	1994
ASSETS		
Current:		
Cash (Note 3)	\$352,742	\$ 85,296
Accounts receivable and accrued interest (Note 4)	243,820	115,990
Inventory	64,248	69,590
Due from Tourism Standards Consortium (Note 5)	<u>63,159</u>	<u>13,140</u>
	723,969	284,016
Capital assets (Notes 6 and 7)	<u>74,441</u>	<u>35,508</u>
	<u>\$798,410</u>	<u>\$319,524</u>
LIABILITIES AND SURPLUS		
Current:		
Accounts payable	\$108,751	\$ 34,247
Due to the Tourism Careers for Youth Project	46,918	—
Unearned revenue (Note 8)	<u>10,697</u>	<u>8,640</u>
	166,366	42,887
Capital lease obligation (Note 7)	4,452	—
Surplus	<u>627,592</u>	<u>276,637</u>
	<u>\$798,410</u>	<u>\$319,524</u>

The accompanying notes are part
of these financial statements.

TOURISM EDUCATION FUND
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget	Actual	Actual
REVENUE			
Province of Alberta	\$1,002,390	\$1,002,000	\$ 323,980
Alberta Best Program	372,800	393,525	208,045
Standards and certification	220,000	226,495	154,008
Interest	—	37,974	10,713
Other	<u>91,500</u>	<u>48,435</u>	<u>63,745</u>
	1,686,690	1,708,429	760,491
EXPENSES			
Operations and marketing (Note 9)	673,000	534,097	106,828
Alberta Best Program	476,220	397,994	218,149
Standards and certification	222,770	191,843	148,304
Standards Consortium (Note 5)	130,000	158,682	172,416
Donation to Grant MacEwan Community College (Note 10)	—	18,718	—
Tourism Careers for Youth Project	—	6,148	—
Other	<u>40,000</u>	<u>49,992</u>	<u>39,454</u>
	1,541,990	1,357,474	685,151
Net income for the year	<u>\$ 144,700</u>	350,955	75,340
Surplus at beginning of year		<u>276,637</u>	<u>201,297</u>
Surplus at end of year		<u>\$ 627,592</u>	<u>\$ 276,637</u>

TOURISM EDUCATION FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Cash provided by (used in) operating activities:		
Net income for the year	\$350,955	\$ 75,340
Add non-cash items:		
Donated capital assets (Note 10)	18,718	—
Amortization of capital assets	7,153	12,929
	<u>376,826</u>	<u>88,269</u>
Change in non-cash working capital:		
Accounts receivable	(127,830)	(95,809)
Inventory	5,342	(24,477)
Prepaid expenses	—	22,416
Accounts payable	74,504	5,278
Due from (to) the Tourism Standards Consortium (Note 5)	(50,019)	25,378
Unearned revenue	2,057	(32,086)
Funds held on behalf of Tourism Careers for Youth Project	46,918	—
Cash provided by (used in) operating activities	<u>327,798</u>	<u>(11,031)</u>
Cash used in investing activities:		
Capital lease obligation, net	4,452	—
Purchases of capital assets	(64,804)	(12,932)
	<u>(60,352)</u>	<u>(12,932)</u>
Net increase (decrease) in cash for the year	267,446	(23,963)
Cash at beginning of year	85,296	109,259
Cash at end of year	<u>\$352,742</u>	<u>\$ 85,296</u>

TOURISM EDUCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purposes

The Tourism Education Fund (the "Fund") operates under the authority of section 5 of the Tourism Education Council Act, Chapter T-6.3, Statutes of Alberta, 1988.

The purposes of the Alberta Tourism Education Council (the "Council") are to promote service excellence, to promote and advocate human resource development activities and to develop programs and initiatives to meet the training, education and learning needs of Alberta's tourism and hospitality industries.

The Fund receives money from the Province of Alberta, donations from industry, and fees charged for programs and services developed and provided by the Council.

In its February 1994 Budget, the Alberta Government announced that 1995-96 will be the last year the Council receives direct provincial government funding. Preparations for the transition of the Council from a government agency to a not-for-profit corporation were initiated in 1994-95, and will continue until incorporation of the new organization, some time in 1995-96.

During the year, the Council engaged in activities outside the scope of section 3 of the Tourism Education Council Act which limits the Council's mandate to programs or activities relating to the tourism and hospitality industries. Revenues derived from these activities and related expenses were approximately \$115,000 and \$22,000 respectively.

Note 2 Significant Accounting Policies

Inventory

Inventory is recorded at the lower of cost and estimated net realizable value.

Capital Assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets as follows:

Equipment	5 years, straight-line
Furniture	10 years, straight-line

Capital Leases

A capital lease, which transfers to the Fund substantially all the benefits and risks of ownership of the asset, is recorded as an asset and the obligation as a liability. The imputed cost of the asset is determined as the lesser of the present value of the total rentals and the original cost of the equipment. The asset is amortized on a straight-line basis over its useful life. The obligation, together with imputed interest thereon, is repaid according to the terms of the lease. Imputed interest is recorded as an expense.

Revenue Recognition

The contribution from the Province of Alberta is recorded as revenue of the Fund in the year for which it is voted by the Legislature.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest is earned on the daily balance in the CCITF at the average rate on CCITF investments.

Note 4 Accounts Receivable

	1995	1994
Alberta Best Program	\$196,590	\$ 60,731
Standards and certification	56,779	53,325
Other	11,019	1,934
	<u>264,388</u>	<u>115,990</u>
Allowance for doubtful accounts	20,568	—
	<u>\$243,820</u>	<u>\$115,990</u>

Note 5 Due from Tourism Standards Consortium

The Council is a member of the Tourism Standards Consortium. Members of the Consortium include the governments of the four western provinces, the federal government and the tourism education associations of each of the four western provinces.

The Consortium has a mandate to design and implement standards and certification for occupations in the tourism and hospitality industry. Members have agreed to contribute to the costs of operations from their own resources in accordance with the Consortium agreement.

Consortium transactions processed by the Fund were as follows:

	1995	1994
Due from the Consortium at beginning of year	\$ 13,140	\$ 38,518
Contributions to the Consortium:		
Tourism Education Fund	128,974	150,000
Alberta industry	29,708	22,416
	<u>(158,682)</u>	<u>(172,416)</u>
Paid on behalf of the Consortium	355,674	359,792
Reimbursed by the Consortium	(146,973)	(212,754)
Net remittance to the Consortium	<u>208,701</u>	<u>147,038</u>
Due from the Consortium at end of year	<u>\$ 63,159</u>	<u>\$ 13,140</u>

Note 6 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Video tapes	\$ —	\$ —	\$ —	\$18,718
Computer equipment	80,358	14,046	66,312	15,326
Capital lease equipment (Note 7)	7,500	625	6,875	—
Furniture	2,091	837	1,254	1,464
	<u>\$89,949</u>	<u>\$15,508</u>	<u>\$74,441</u>	<u>\$35,508</u>

Note 7 Capital Lease

Capital assets include equipment with a net book value of \$6,875, the purchase of which was financed by a capital lease.

Minimum payments over the term of the lease are as follows:

Year ending	
March 31, 1996	\$3,326
March 31, 1997	3,326
March 31, 1998	<u>1,940</u>
Total minimum lease payments	<u>8,592</u>
Less amount representing future interest at 20.84%	<u>1,992</u>
Balance of obligation	<u>6,600</u>
Less current portion, included in accounts payable	<u>2,148</u>
Long-term portion	<u>\$4,452</u>

Note 8 Unearned Revenue

Unearned revenue consists of contributions from the Alberta Hotel Association (Don Sparrow Memorial Fund) and the Motel Association of Alberta (Robert Caine Fund) to subsidize the certification of hotel and motel employees in Alberta, as follows:

	1995	1994
Don Sparrow Memorial Fund:		
Balance, beginning of year	\$ 7,140	\$ 16,810
Donated during the year	12,000	—
Applied during the year	<u>(10,443)</u>	<u>(9,670)</u>
Balance, end of year	<u>8,697</u>	<u>7,140</u>
Robert Caine Fund:		
Balance, beginning of year	1,500	1,500
Donated during the year	<u>500</u>	<u>—</u>
Balance, end of year	<u>2,000</u>	<u>1,500</u>
	<u>\$ 10,697</u>	<u>\$ 8,640</u>

Note 9 Operations and Marketing

	Operations	Marketing	Total
Salaries	\$118,607	\$ 15,808	\$134,415
Contract services	88,490	141,232	229,722
Travel	27,756	23,950	51,706
Materials, supplies and rentals	18,833	8,744	27,577
Freight and telephone	10,002	4,763	14,765
Amortization	7,153	—	7,153
Restructuring	27,454	—	27,454
Advertising and sales tools	—	41,305	41,305
	<u>\$298,295</u>	<u>\$235,802</u>	<u>\$534,097</u>

Note 10 Donation to Grant MacEwan Community College

During the year the Fund donated its video tape library to Grant MacEwan Community College. The library had accumulated over several years and had an original cost of \$106,384. The transaction is recorded as a donation of \$18,718, being the net book value of the library at March 31, 1994.

Note 11 Commitments

The Fund has committed to contribute \$75,000 to the Tourism Standards Consortium during the 1995-96 fiscal year.

Note 12 Salaries and Benefits

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total ⁽³⁾	Number of Individuals	Total ⁽⁴⁾
Chairman of Council	1	\$ 14,256	\$ —	\$ 14,256	1	\$ 12,831
Executive Director	1	68,251	3,540	71,791	1	77,672
Manager	1	48,210	9,159	57,369	3	172,784
Other	2	68,801	10,744	79,545	13	604,327
	<u>5</u>	<u>\$199,518</u>	<u>\$ 23,443</u>	<u>\$222,961</u>	<u>18</u>	<u>\$867,614</u>

- (1) Salary includes base pay, bonuses, overtime and lump sum payments
- (2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships and tuition.
- (3) Payment of salary and benefits has been allocated in part to operations and marketing, and in part to the Alberta Best Program.
- (4) These salaries and benefits were reported by the General Revenue Fund in the year ending March 31, 1994.

Note 13 Administrative Costs

Accommodation, furniture and certain equipment, salaries and wages, and other administrative costs are borne by the General Revenue Fund and are not reflected in these financial statements.

Note 14 Comparative Figures

Certain 1994 comparative figures have been reclassified to conform to 1995 presentation.

Note 15 Approval of Financial Statements

These financial statements have been approved by management.

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
FINANCIAL STATEMENT
MARCH 31, 1995

Auditor's Report
Statement of Revenue and Expenditure
Notes to the Financial Statement

AUDITOR'S REPORT

To the Minister of Energy

I have audited the statement of revenue and expenditure of the Alberta Electric Energy Marketing Agency for the year ended March 31, 1995. This financial statement is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the revenue and expenditure of the Agency, for the year ended March 31, 1995, in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 19, 1995

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
REVENUE		
Sales of electric energy	<u>\$1,574,954,943</u>	<u>\$1,556,535,747</u>
EXPENDITURE		
Purchases of electric energy	<u>1,574,954,943</u>	<u>1,556,535,747</u>
Excess of expenditure over revenue	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are part
of this financial statement.

ALBERTA ELECTRIC ENERGY MARKETING AGENCY
NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 1995

Note 1 Authority

The Alberta Electric Energy Marketing Agency operates under the authority of the Electric Energy Marketing Act, Chapter E-4.1, Statutes of Alberta 1981, as amended. The Department of Energy has been responsible for administration of Agency operations since July 2, 1991. This financial statement is required under section 8(1) of the Act.

On May 17, 1995, the Electric Energy Marketing Act Repeal Act received Royal Assent. The Repeal Act repealed the Electric Energy Marketing Act on December 31, 1995.

Note 2 Balance Sheet

A balance sheet is not provided as the Agency has no assets or liabilities. The Agency's revenue and expenditure flow through the General Revenue Fund of the Province of Alberta.

Note 3 Approval by the Public Utilities Board

The price at which electric energy is sold to the Alberta Electric Energy Marketing Agency is subject to Public Utilities Board approval. Any subsequent price adjustments by the Board, received by the Agency on or before December 31 in respect of a prior year, are reflected in the following calendar year.

Note 4 Approval of Financial Statement

This financial statement was approved by management.

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY
OIL SANDS TECHNOLOGY AND RESEARCH FUND
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balance
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the Alberta Oil
Sands Technology and Research Authority

I have audited the balance sheet of the Alberta Oil Sands Technology and Research Authority - Oil Sands Technology and Research Fund as at March 31, 1995 and the statements of revenue, expenditure and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY
OIL SANDS TECHNOLOGY AND RESEARCH FUND
BALANCE SHEET
AS AT MARCH 31, 1995

	1995	1994
ASSETS		
Current:		
Cash (Note 3)	\$ 9,749,886	\$ 3,137,946
Deposits on projects, net (Note 4)	10,000	21,000
Accounts receivable	<u>2,512,550</u>	<u>5,564,654</u>
	12,272,436	8,723,600
Capital assets (Note 5)	<u>436,377</u>	<u>—</u>
	<u><u>\$12,708,813</u></u>	<u><u>\$ 8,723,600</u></u>
LIABILITIES AND FUND BALANCE		
Current:		
Accounts payable	\$ 3,403,623	\$ 7,915,238
Holdbacks payable	<u>288,314</u>	<u>327,134</u>
	3,691,937	8,242,372
Accumulated provision for future project abandonment (Note 6)	<u>2,605,000</u>	<u>—</u>
	6,296,937	8,242,372
Fund balance	<u>6,411,876</u>	<u>481,228</u>
	<u><u>\$12,708,813</u></u>	<u><u>\$ 8,723,600</u></u>
The accompanying notes are part of these financial statements.		

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY
OIL SANDS TECHNOLOGY AND RESEARCH FUND
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget	Actual	Actual
	(Note 10)		
Revenue:			
Contributions from the General Revenue Fund	\$12,200,000	\$12,200,000	\$12,200,000
Sale of bitumen	4,900,000	7,588,145	3,377,604
Contributions from project participants	3,500,000	3,501,000	7,000,000
Production revenue and recoveries	750,000	1,014,546	460,000
Sale of technology	<u>160,000</u>	<u>392,179</u>	<u>547,971</u>
	<u>21,510,000</u>	<u>24,695,870</u>	<u>23,585,575</u>
Expenditure:			
Underground access	10,000,000	8,456,929	9,659,905
Institutional research	2,240,000	2,008,836	2,581,698
In situ oil sands	2,598,000	2,227,607	3,826,535
Technology transfer and commercialization	2,236,000	1,429,678	1,386,995
Technology handling	1,080,000	1,067,417	1,531,182
Mining and extraction	965,000	1,012,974	894,180
Enhanced recovery	851,000	784,825	1,335,779
Bitumen upgrading	655,000	611,356	340,928
Heavy oil	169,000	294,524	644,399
Environment	201,000	289,365	338,861
Carbonate trend	100,000	237,054	100,000
Training activities	210,000	177,945	342,385
Amortization	—	109,094	—
International activities	105,000	32,902	137,845
Miscellaneous project support	50,000	23,339	67,759
Secretariat services	<u>50,000</u>	<u>1,377</u>	<u>—</u>
	<u>21,510,000</u>	<u>18,765,222</u>	<u>23,188,451</u>
Excess of revenue over expenditure for the year	<u>\$ —</u>	<u>5,930,648</u>	<u>397,124</u>
Fund balance at beginning of year		481,228	84,104
Fund balance at end of year		<u><u>\$ 6,411,876</u></u>	<u><u>\$ 481,228</u></u>

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY
OIL SANDS TECHNOLOGY AND RESEARCH FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Excess of revenue over expenditure for the year	\$ 5,930,648	\$ 397,124
Non-cash charge:		
Amortization	109,094	—
Provision for future project abandonment	2,605,000	—
	8,644,742	397,124
Decrease in deposits on projects and accounts receivable	3,063,104	2,789,738
Decrease in accounts payable and holdbacks payable	(4,550,435)	(957,202)
	7,157,411	2,229,660
Investing activity:		
Purchase of capital assets	(545,471)	—
Net increase in cash	6,611,940	2,229,660
Cash at beginning of year	3,137,946	908,286
Cash at end of year	<u>\$ 9,749,886</u>	<u>\$ 3,137,946</u>

ALBERTA OIL SANDS TECHNOLOGY AND RESEARCH AUTHORITY
OIL SANDS TECHNOLOGY AND RESEARCH FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Oil Sands Technology and Research Authority (the "Authority") operates under the authority of the Oil Sands Technology and Research Authority Act (the "Act"), Chapter 0-6, Revised Statutes of Alberta 1980.

The Act created a corporation, the Alberta Oil Sands Technology and Research Authority, which consists of not less than 3 and not more than 9 members appointed by the Lieutenant Governor in Council. On April 14, 1994, the members of the Authority held their last duly constituted meeting. On different dates following April 14, 1994, the members' terms expired and the Lieutenant Governor in Council did not appoint new members. The Minister of Energy has appointed the Deputy Minister and the Assistant Deputy Minister, Oil Sands and Research Division of the Department of Energy to implement the decisions made by the members of the Authority on or before April 14 and to manage the ongoing operations of the Authority.

The Authority assists in the development of new technology for recovery and processing of petroleum from Alberta oil sands deposits and heavy crude reserves, and enhanced recovery of oil from conventional petroleum reservoirs.

Note 2 Significant Accounting Policies and Reporting Practices

Capital assets are recorded at cost, and are amortized on a straight-line basis over their estimated remaining useful lives.

The estimated useful life of the Underground Test Facility is five years based on management's estimate of the number of years it will take to mine the bitumen accessible to the facility.

Provision for future project abandonment is made when costs are reasonably determinable.

Research and development expenditures for facilities and equipment are capitalized when the technical feasibility of technology is established and when estimated future revenues exceed estimated future expenditure.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. Interest earned on cash balances, in the amount of \$234,751 (1994 \$109,749), is credited to the General Revenue Fund, and is not reflected in these financial statements.

Note 4 Deposits on Projects

This amount represents the net excess of cash calls on projects over actual expenditures.

Note 5 Capital Assets

	1995		
	Cost	Accumulated Amortization	Net Book Value
Underground test facility	<u>\$545,471</u>	<u>\$109,094</u>	<u>\$436,377</u>

During the year, management determined that the technology used at the underground test facility was technically feasible and began to capitalize expenditures for facilities and equipment.

Note 6 Accumulated Provision for Future Project Abandonment

Under joint participation agreements, the Authority will incur certain costs when projects are abandoned. Management's estimate of abandonment costs for the following projects is:

Underground test facility ^(a)	\$1,250,000
Taciuk facility	450,000
AMOCO GLISP	440,000
Norcen Bodo	150,000
Husky Kearle Lake	100,000
Unocal Buffalo Creek	100,000
Others	115,000
	<u>\$2,605,000</u>

^(a) Total estimated abandonment costs are \$5,000,000. The Authority owns the project and associated assets, but has limited its liability to 25 percent of actual abandonment costs through an agreement with other participants.

Note 7 Commitments

The Authority had outstanding commitments as at March 31, 1995 totalling \$16,596,391 (1994 \$14,052,000) for approved projects.

Note 8 Administration Costs

The Oil Sands and Research Division of the Department of Energy now bears the costs for salaries, benefits, materials, supplies and other expenditure incurred in the administration of the Authority. Management has estimated that \$2,322,878 of the Division's 1994-95 costs relate to the Authority.

Other overhead costs including accommodation and financial administration are not included in this estimate.

Note 9 Salaries and Benefits

Information on salaries and benefits of the Authority's staff required under Treasury Board Directive 01-94 is included with information on the salary and benefits of the Department of Energy.

Note 10 Budget

The 1995 budget, reviewed by the Authority and approved by the Department of Energy, is presented for comparison with the 1995 actual figures.

Note 11 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 12 Approval of Financial Statements

These financial statements were approved by management.

ALBERTA PETROLEUM MARKETING COMMISSION
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Petroleum Marketing Fund - Statement of Operations
Operating Fund - Statement of Revenue and Expenditure
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have audited the balance sheet of the Alberta Petroleum Marketing Commission as at December 31, 1994 and the statement of operations for the Petroleum Marketing Fund and the statement of revenue and expenditure for the Operating Fund for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 24, 1995

ALBERTA PETROLEUM MARKETING COMMISSION
BALANCE SHEET
AS AT DECEMBER 31, 1994

	<u>1994</u>	<u>1993</u>
ASSETS		
Petroleum marketing fund		
Current		
Cash and short-term investments	\$ 13,761,826	\$ 12,920,415
Accounts receivable	115,936,243	93,526,588
Inventory held on behalf of the Province of Alberta	138,061,165	135,977,089
Inventory held on behalf of others (Note 4)	<u>—</u>	<u>2,882,339</u>
	<u>267,759,234</u>	<u>245,306,431</u>
Operating fund		
Current		
Cash and short-term investments	2,180,949	3,621,953
Accounts receivable	<u>290,648</u>	<u>234,596</u>
	2,471,597	3,856,549
Capital assets (Notes 3 and 5)	<u>331,298</u>	<u>568,472</u>
	<u>2,802,895</u>	<u>4,425,021</u>
	<u>\$270,562,129</u>	<u>\$249,731,452</u>
LIABILITIES		
Petroleum marketing fund		
Current		
Payable to the Province of Alberta		
Conventional oil - royalty share	\$196,704,188	\$170,168,518
Synthetic oil - equity share	26,482,207	20,385,397
Synthetic oil - royalty share	<u>—</u>	<u>8,797,393</u>
	223,186,395	199,351,308
Payable to others		
Purchases and transportation	36,612,345	30,670,680
Synthetic oil (Note 4)	<u>—</u>	<u>7,834,742</u>
Goods and services tax	<u>7,960,494</u>	<u>7,449,701</u>
	<u>267,759,234</u>	<u>245,306,431</u>
Operating fund		
Current		
Accounts payable	212,092	268,213
Accrued vacation pay	250,791	304,000
Payable to the Province of Alberta	1,098,714	1,999,252
Deferred contributions	<u>243,000</u>	<u>587,084</u>
	1,804,597	3,158,549
Accrued pension liability (Note 6)	667,000	698,000
Equity in capital assets (Note 3)	<u>331,298</u>	<u>568,472</u>
	<u>2,802,895</u>	<u>4,425,021</u>
	<u>\$270,562,129</u>	<u>\$249,731,452</u>

The accompanying notes are part
of these financial statements.

ALBERTA PETROLEUM MARKETING COMMISSION
PETROLEUM MARKETING FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
Revenue from crude oil sales	\$1,379,892,577	\$1,462,937,204
Expenditure		
Purchases under exchange agreements	65,498,699	84,266,275
Other crude oil purchases	108,756,771	203,060,478
Transportation	100,453,592	106,257,828
	<u>274,709,062</u>	<u>393,584,581</u>
Excess of revenue over expenditure	1,105,183,515	1,069,352,623
Net revenue to the Province of Alberta		
Conventional oil - royalty share	915,490,939	796,335,879
Synthetic oil - equity share	177,349,850	212,760,379
Synthetic oil - royalty share	9,460,387	40,558,161
	<u>1,102,301,176</u>	<u>1,049,654,419</u>
Net revenue to others		
Synthetic oil (Note 4)	2,882,339	19,698,204
	<u>1,105,183,515</u>	<u>1,069,352,623</u>
	<u>\$ —</u>	<u>\$ —</u>

ALBERTA PETROLEUM MARKETING COMMISSION
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994		1993
	Budget	Actual	Actual
	(Note 7)		
Revenue			
Crude oil marketing fees	\$2,947,500	\$2,949,871	\$2,839,456
Interest	875,000	1,002,833	963,957
Amortization of equity in capital assets (Note 3)	—	285,999	326,026
Natural gas service fees	293,875	245,064	241,301
Take-or-pay administration cost recoveries	65,000	45,380	245,110
	<u>4,181,375</u>	<u>4,529,147</u>	<u>4,615,850</u>
Expenditure			
Salaries and benefits (Note 8)	4,576,050	4,530,160	5,312,683
Office rental and maintenance	1,054,525	1,048,836	1,051,836
Regulatory hearings	300,000	351,781	340,048
Consulting fees	338,500	332,697	99,758
Amortization of capital assets (Note 3)	—	285,999	326,026
Equipment rental and maintenance	253,800	225,659	285,954
Office supplies and services	221,325	225,267	237,792
Computer services	184,250	146,838	127,178
Travel	114,625	144,637	101,744
Loss (gain) on disposal of capital assets	—	50,434	(3,421)
	<u>7,043,075</u>	<u>7,342,308</u>	<u>7,879,598</u>
Excess of expenditure over revenue	2,861,700	2,813,161	3,263,748
Net contribution from the Province of Alberta (Note 3)	2,861,700	2,813,161	3,263,748
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

ALBERTA PETROLEUM MARKETING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Alberta Petroleum Marketing Commission operates under the authority of the Petroleum Marketing Act, Chapter P-5, Revised Statutes of Alberta 1980, as amended, and the Natural Gas Marketing Act, Chapter N-2.8, Statutes of Alberta 1986, as amended.

Note 2 Significant Accounting Policies

(a) Fund Accounting

The accounts of the Commission are maintained in accordance with the principles of fund accounting. Resources are classified for reporting purposes into funds in accordance with specified activities or objectives. These funds are described as follows:

Petroleum Marketing Fund

Agency Relationships and Marketing Services

Under the Petroleum Marketing Act, the Commission is designated agent of the Province of Alberta to accept delivery of, and market the Crown's royalty share of crude oil. Through an agreement dated August 4, 1977, the Commission is also designated agent of the Province to market its equity share of production from the Syncrude Canada Project.

Purchases Under Exchange Agreements

In order to assist in meeting its sales obligations, the Commission enters into crude oil exchange agreements. Sales and purchases under exchange agreements are included in revenue and expenditure.

Operating Fund

The Operating Fund accounts for the administration of the Commission, the Natural Gas Marketing Act and the Take-or-pay Costs Sharing Fund pursuant to the Take-or-pay Costs Sharing Act. Revenues from crude oil marketing fees, interest, natural gas service fees and take-or-pay administration cost recoveries are used to supplement the contribution from the Province, and any excess is subsequently returned to the Province.

(b) Inventory

Inventory of conventional and synthetic oil in feeder and trunk pipelines represents inventories received on behalf of the Province and, at the balance sheet date, not recognized in the Commission's sales. Inventories are stated at net realizable value.

(c) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives using the straight-line method as follows:

Office furniture and equipment	10 years
Computer equipment	4 years
Leasehold improvements	Term of lease

Contributions from the Province used for the purchase of capital assets are deferred and recorded on the balance sheet as equity in capital assets.

(d) Deferred Contributions

The Commission receives monthly funding contributions from the Province during its budget year, April 1 to March 31. Contributions received in advance are deferred.

(e) Expenditure

Salaries and benefits include the cost of pension obligations earned by employees and interest on the unfunded pension liability which the Commission will fund.

(f) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at forward exchange contract rates or, where not covered by forward exchange contracts, at the rate of exchange in effect at the balance sheet date. Revenue and expenditure are translated at forward exchange contract rates or, where not covered by forward exchange contracts, at average monthly exchange rates.

(g) Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

Note 3 Change in Accounting Policy

In prior years, capital assets were not amortized and contributions by the Province for the purchase of capital assets were recorded as equity in capital assets. During the year, the Commission changed its accounting policies to record amortization of capital assets and to amortize the offsetting equity in capital assets. These changes have had the following effect:

	1994	1993
	Increase (decrease)	
Operating fund - balance sheet		
Capital assets	\$(1,826,386)	\$(1,690,939)
Equity in capital assets	(1,826,386)	(1,690,939)
Operating fund - statement of revenue and expenditure		
Revenue	285,999	326,026
Expenditure	237,174	200,438
Net contribution from the Province of Alberta	(48,825)	(125,588)

Note 4 Sale of Province's Five Percent Share in Syncrude Canada Project

Effective September 1, 1993, the Province of Alberta sold a five percent interest in the Syncrude Canada Project. For the period September through December 1993, the purchaser's share of production from the project was delivered to the Commission. Proceeds from sales of these deliveries were remitted to the Province for payment to the purchaser of the five percent interest. The accounts of the Commission reflect these transactions.

Note 5 Capital Assets

	1994		1993	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$1,257,971	\$1,080,442	\$ 177,529	\$ 334,475
Leasehold improvements	899,713	745,944	153,769	233,997
	<u>\$2,157,684</u>	<u>\$1,826,386</u>	<u>\$ 331,298</u>	<u>\$ 568,472</u>

Note 6 Accrued Pension Liability

The Commission participates in two Alberta government defined benefit pension plans. The Public Service Pension Plan and the Management Employees Pension Plan provide pensions for the Commission's employees based on length of service and earnings.

The Commission's portion of the unfunded liability for each plan, determined by the Provincial Treasurer based on an extrapolation of an actuarial valuation as at December 31, 1991 to December 31, 1994, is:

	1994	1993
Public Service Pension Plan	\$339,000	\$319,000
Management Employees Pension Plan	328,000	379,000
	<u>\$667,000</u>	<u>\$698,000</u>

Note 7 Budget

The Commission prepares its budget based on the Province's fiscal year, April 1 to March 31. The Commission approved its 1994-95 and 1993-94 budgets on May 11, 1994 and May 27, 1993 respectively. In order to provide budget information for comparison to actual, the Commission added 25% of the 1993-94 budget to 75% of the 1994-95 budget.

Note 8 Salaries and Benefits

	1994				1993	
	Full Time Equivalent	Salary ^(a)	Benefits and Allowances ^(b)	Total	Full Time Equivalent	Total
Chairman ^{(c)(e)}	1.0	\$ 51,062	\$ 8,317	\$ 59,379	1.0	\$ 119,938
Vice Chairman ^(e)	0.5	43,902	7,024	50,926	—	—
Member ^(e)	0.5	46,752	7,566	54,318	1.0	98,499
Project Leader, Crude Oil Royalty System ^{(c)(e)}	0.5	51,062	7,713	58,775	—	—
Project Advisor, Crude Oil Royalty System ^(e)	0.5	37,851	6,932	44,783	—	—
Managing Director:						
Finance and Information Services ^(e)	0.5	44,145	7,795	51,940	1.0	104,498
Crude Oil	1.0	93,000	14,741	107,741	1.0	107,023
Natural Gas and Regulatory	0.3	19,214	3,260	22,474	1.0	101,977
General Manager, Natural Gas	—	—	—	—	0.5	54,865
Other managers (Average 1994 \$82,173, 1993 \$85,473)	12.0	827,995	158,083	986,078	13.0	1,111,143
Other full time staff (Average 1994 \$42,605, 1993 \$45,244)	69.9	2,547,492	430,563	2,978,055	73.0	3,302,816
Part-time staff ^(d)	—	20,087	504	20,591	—	16,430
Severance payments	—	126,100	—	126,100	—	275,494
Change in accrued pension liability	—	—	(31,000)	(31,000)	—	20,000
Total	<u>86.7</u>	<u>\$3,908,662</u>	<u>\$ 621,498</u>	<u>\$4,530,160</u>	<u>91.5</u>	<u>\$5,312,683</u>

(a) Salary includes regular base pay, bonuses and vacation pay.

(b) Benefits and allowances include the Commission's share of all employee benefits and contributions or payments including: pension; health care, dental and vision coverage; out-of-country medical benefits; group life, accidental death and dismemberment insurance; Canada Pension and Unemployment Insurance premiums; professional and club memberships; and tuition.

(c) Automobile provided under Senior Officials' benefits; amount not included in benefits and allowances.

(d) Part-time staff includes individuals working less than 29 hours per week.

(e) On July 1, 1994, the Deputy Minister of Energy was appointed Chairman, the previous Chairman was appointed Project Leader, Crude Oil Royalty System, the Member was appointed Project Advisor, Crude Oil Royalty System, and the Managing Director, Finance and Information Services was appointed Vice-Chairman. The new Chairman received all his remuneration from the Department of Energy, and therefore no amount is included above.

Note 9 Commitments

Effective December 1, 1981, the Commission signed a fifteen year lease for office accommodation at a minimum annual rental of \$692,360 plus occupancy costs.

Note 10 Continuing Operations

In the February 1994 Speech from the Throne, the Lieutenant Governor announced a major restructuring of the energy ministry. The Minister of Energy subsequently announced that consultations will be held with industry to determine the Commission's role in the collection of Crown oil royalties. All the responsibilities of the Commission, except those directly related to crude oil marketing, were transferred to the Department of Energy effective April 1, 1995.

Note 11 Comparative Figures

The 1993 comparative figures have been reclassified where necessary to conform to 1994 presentation.

Note 12 Approval of Financial Statements

These financial statements have been approved by the Vice-Chairman.

ENERGY RESOURCES CONSERVATION BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Operating Fund Revenue, Expenditure and Surplus
Schedule of Abandonment Fund Revenue, Expenditure and Surplus

AUDITOR'S REPORT

To the Members of the Energy
Resources Conservation Board

I have audited the balance sheet of the Energy Resources Conservation Board as at March 31, 1995 and the statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 5, 1995

ENERGY RESOURCES CONSERVATION BOARD
BALANCE SHEET
AS AT MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash	\$18,785	\$12,911
Accounts receivable	1,299	1,875
Prepaid expenses	<u>543</u>	<u>1,223</u>
	20,627	16,009
Capital assets (Notes 3 and 5)	<u>3,011</u>	<u>3,580</u>
	<u><u>\$23,638</u></u>	<u><u>\$19,589</u></u>
LIABILITIES AND EQUITY		
Current:		
Accounts payable	\$ 2,288	\$ 2,984
Accrued vacation pay	<u>2,326</u>	<u>2,748</u>
	4,614	5,732
Management Retiring Allowance Plan (Note 6)	2,084	1,852
Pension liability (Note 7)	<u>3,071</u>	<u>2,727</u>
	9,769	10,311
Equity:		
Surplus (Note 3)	<u>13,869</u>	<u>9,278</u>
	<u><u>\$23,638</u></u>	<u><u>\$19,589</u></u>
The accompanying notes and schedules are part of these financial statements.		

ENERGY RESOURCES CONSERVATION BOARD
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	Operating Fund (Schedule 1)	Abandonment Fund (Schedule 2)	Total 1995		Total 1994
			Actual	Budget (Note 12)	Actual
Revenue:					
Levies	\$19,253	\$ 1,523	\$20,776	\$20,442	\$21,609
Contributions from the Province of Alberta	18,900	—	18,900	18,900	19,900
Applications and licences	12,290	780	13,070	8,550	10,785
Information and services	3,111	—	3,111	3,000	3,215
Interest	1,084	443	1,527	880	1,059
Miscellaneous	1,056	395	1,451	1,336	890
	<u>55,694</u>	<u>3,141</u>	<u>58,835</u>	<u>53,108</u>	<u>57,458</u>
Expenditure:					
Salaries and employee benefits (Note 8)	32,183	83	32,266	32,411	34,402
Severance and termination	1,562	—	1,562	—	19
Building rent, improvements and maintenance	5,676	—	5,676	6,020	6,113
Computer services	2,964	—	2,964	3,490	3,331
Professional fees	2,465	135	2,600	1,666	1,780
Well abandonment	—	1,891	1,891	1,704	509
Minor capital acquisitions	1,435	—	1,435	603	681
Travel and vehicle	1,215	2	1,217	1,399	1,056
Amortization (Note 3)	1,013	—	1,013	596	1,327
Equipment rental and maintenance	781	—	781	994	848
Supplies	764	—	764	477	604
Telephone	522	—	522	575	538
Software acquisitions	420	—	420	355	557
Postage and deliveries	196	—	196	203	202
Publications	184	—	184	168	185
Insurance	122	21	143	155	122
Miscellaneous	341	269	610	508	413
	<u>51,843</u>	<u>2,401</u>	<u>54,244</u>	<u>51,324</u>	<u>52,687</u>
Surplus (deficit) for the year	3,851	740	4,591	<u>\$ 1,784</u>	4,771
Surplus (deficit) at beginning of year, as restated (Note 3)	2,914	6,364	9,278		(128)
Appropriation:					
Returned from reserves	—	—	—		4,635
Surplus at end of year	<u>\$ 6,765</u>	<u>\$ 7,104</u>	<u>\$13,869</u>		<u>\$ 9,278</u>

ENERGY RESOURCES CONSERVATION BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u>
Operating activities		
Surplus for the year	\$ 4,591	\$ 4,771
Non-cash transactions		
Amortization	1,013	1,327
Gain on disposal of capital assets	(560)	—
Management retiring allowance plan	232	61
Accrued pension obligations	<u>344</u>	<u>89</u>
	5,620	6,248
Change in non-cash working capital		
Accounts receivable	576	(272)
Prepaid expenses	680	(572)
Accounts payable	(696)	417
Accrued vacation pay	<u>(422)</u>	<u>358</u>
	<u>5,758</u>	<u>6,179</u>
Investing activities		
Capital asset disposal proceeds	522	—
Capital asset purchases	<u>(406)</u>	<u>(1,747)</u>
	<u>116</u>	<u>(1,747)</u>
Increase in cash	5,874	4,432
Cash at beginning of year	<u>12,911</u>	<u>8,479</u>
Cash at end of year	<u>\$18,785</u>	<u>\$12,911</u>

ENERGY RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Energy Resources Conservation Board (the "Board") operates under the authority of the Energy Resources Conservation Act, Chapter E-11, Revised Statutes of Alberta 1980, as amended.

On February 15, 1995, the Lieutenant Governor in Council proclaimed the Alberta Energy and Utilities Board Act, establishing the Alberta Energy and Utilities Board (the "AEUB"). The members of the Energy Resources Conservation Board and the Public Utilities Board (the "PUB") are members of the AEUB. The Alberta Energy and Utilities Board Act states that all matters that may be dealt with by the Board or the PUB under any enactment or as otherwise provided by law shall be dealt with by the AEUB and are within the exclusive jurisdiction of the AEUB. From February 15 to March 31, 1995 the Board and the PUB continued to deal with their administrative matters separately and, accordingly, each has prepared its own separate financial statements.

The Board is charged with the administration of several acts that govern and regulate the energy industry in the Province of Alberta.

Note 2 Significant Accounting Policies

(a) Fund Accounting

The accounts of the Board are maintained in accordance with the principles of fund accounting in order to recognize various restrictions imposed on the use of available resources. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives. These funds are described as follows:

Operating Fund

This fund accounts for the primary activities of the Board and is segregated into Oil and Gas, and Hydro and Electric and Coal activities.

Abandonment Fund

This fund accounts for abandonment activities and is segregated into activities for wells with existing owners and activities for wells which have no existing owners.

(b) Capital Assets

Capital assets are recorded at cost, except for donated assets which are recorded at fair market value. Land, purchased items costing over \$15,000 and all vehicles are capitalized. Amortization is calculated using the straight-line method over the following estimated useful lives:

Computer equipment	5 years
Vehicles	5 years
Furniture and equipment	10 years

Note 3 Restatement of Prior Year's Amounts

(a) In prior years, the Board recorded the Petroleum Industry Training Centre building and equipment as capital assets. During the year, the Board removed the building and equipment from capital assets because the assets were leased to the Centre at terms which will provide no economic benefit to the Board over the estimated lives of the assets. This change has been applied retroactively with restatement of prior year amounts and has had the effect of decreasing capital assets by \$6,624,383 (1994 \$6,624,383).

(b) In prior years, capital assets were recorded as expenditure and were not amortized. Capital assets were shown on the balance sheet at original cost with a corresponding credit to equity in capital assets. During the year, the Board changed its accounting policy to record amortization of capital assets. This change has been applied retroactively with restatement of prior years amounts and has had the effect of decreasing capital assets by \$5,837,106 (1994 \$6,338,122) and decreasing (increasing) surplus for the year by \$606,201 (1994 \$420,533).

The effect of the above changes on equity at beginning of year is as follows:

	1995	1994
	(thousands of dollars)	
Equity at beginning of year, as previously reported	\$22,240	\$13,046
Petroleum Industry Training Centre building and equipment	(6,624)	(6,624)
Accumulated amortization	(6,338)	(6,550)
Equity (deficit) at beginning of year, as restated	<u>\$ 9,278</u>	<u>\$ (128)</u>

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of Alberta. Interest is earned on the daily balance in the Fund at the average rate of interest earned on Fund investments.

Note 5 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Asset Value	Net Asset Value
	(thousands of dollars)			
Computer equipment	\$3,797	\$2,647	\$1,150	\$1,526
Vehicles	1,550	461	1,089	1,118
Furniture and equipment	3,181	2,729	452	616
Land	320	—	320	320
	<u>\$8,848</u>	<u>\$5,837</u>	<u>\$3,011</u>	<u>\$3,580</u>

Note 6 Management Retiring Allowance Plan

The Board has established and is the custodian of a defined contribution plan called the Management Retiring Allowance Plan. The Plan is for certain management staff who do not participate in the Management Employees Pension Plan but who do participate in the Public Service Pension Plan. Until certain conditions are met so that the funds vest with the employee, the Board is responsible to make annual contributions to the Plan and earns interest on the contributions. Interest earned by the Plan is recorded on the statement of revenue, expenditure and surplus.

	1995	1994
	(thousands of dollars)	
Amounts not vested	\$1,396	\$1,852
Amounts vested with employees	688	—
Balance at end of year	<u>\$2,084</u>	<u>\$1,852</u>

Note 7 Pension Liability

The Board participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Board's employees based on years of service and earnings.

The Board had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995	1994
	(thousands of dollars)	
Public Service	\$2,917	\$2,593
Management Employees	154	134
	<u>\$3,071</u>	<u>\$2,727</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations, as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Board's portion of those employers' liabilities was based on the Board's percentage of the total pensionable payroll of all employers.

Note 8 Salaries and Benefits

	1995				1994	
	Full-time Equivalents	Salary ^(a)	Benefits and Allowances ^(b)	Total	Full-time Equivalents	Total
Chair ^{(c)(g)}	0.08	\$ 9,740	\$ 1,165	\$ 10,905	0.00	\$ —
Co-Chairman 1 ^(c)	1.00	92,300	26,091	118,391	1.00	114,826
Co-Chairman 2 ^{(c)(d)}	1.00	92,300	14,387	106,687	1.00	121,246
Board Member 1 ^(c)	1.00	82,700	9,674	92,374	1.00	103,839
Board Member 2 ^(c)	1.00	82,700	20,830	103,530	1.00	102,040
Board Member 3 ^{(c)(d)}	1.00	82,700	13,712	96,412	1.00	102,934
Executive Manager Operations	1.00	82,239	27,651	109,890	1.00	110,554
Other managers ^(c) (average salary plus benefits: 1995 \$91,842, 1994 \$91,361)	44.00	3,400,664	640,374	4,041,038	42.00	3,837,174
Other salaried staff ^(c) (average salary plus benefits: 1995 \$45,689, 1994 \$47,904)	572.00	22,329,919	3,803,988	26,133,907	594.00	28,454,859
Non-salaried staff	48.00	1,058,822	71,709	1,130,531	32.00	715,758
Other costs ^(e)	—	—	80,622	80,622	—	739,632
Provision for benefits ^(f)	—	—	241,875	241,875	—	—
	<u>670.08</u>	<u>\$27,314,084</u>	<u>\$ 4,952,078</u>	<u>\$32,266,162</u>	<u>674.00</u>	<u>\$34,402,862</u>

(a) Salary includes regular base pay, overtime, lump sum payments, honoraria and other direct cash remuneration. The Board Members, Executive Manager Operations, and other managers positions include base salary costs only as they did not receive other payments included within this category.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including Blue Cross, Public Service Pension Plan and the Management Employees Pension Plan, CPP, UIC, professional memberships, tuition, contributions to the retiring allowance plan, insurance, vacation paid out and flexible health benefits paid out.

(c) Automobiles provided to all Board members and some field staff; no amount included in benefits and allowances figures.

(d) Opted out of Management Employees Pension Plan; benefit incremented in lieu of employer contributions.

(e) Other costs include payments made in respect to Workers Compensation Board premiums, interest earned on the management retiring allowance plan and changes in accrued vacation pay, accrued pension liability and the flexible health benefit plan.

(f) The Board has declared its intent to reimburse employees for any additional amounts of tax payable as a result of an understatement of employee benefits reported to Revenue Canada in prior years.

(g) The Chair of the Alberta Energy and Utilities Board was appointed effective March 1, 1995 and is remunerated by the Energy Resources Conservation Board.

Note 9 Contingent Liability

The Board is named as co-defendant in litigation in respect of abandonment of an oil refinery. The Board's share of potential liability, if any, resulting from this action is not determinable and consequently no liability has been reflected in these financial statements. Settlement, if any, will be reflected as expenditure when determined.

Note 10 Lease Commitments

The Board leases office premises with operating lease terms ranging up to twenty years and has an arrangement for exclusive use of certain computer equipment. The related future minimum payments for the five succeeding fiscal years are as follows:

	(thousands of dollars)
1996	\$4,932
1997	\$4,605
1998	\$4,463
1999	\$4,420
2000	\$4,372

Note 11 Trust Deposits

The Board instituted an industry wide program to aid in the proper abandonment of orphan wells. Deposits, paid on wells that fail specific criteria, are temporarily held in trust by the Board. The deposit plus earned interest are returned to the depositor when the criteria are met. The deposits and interest earned are not recorded in the Board's financial statements.

	<u>1995</u>	<u>1994</u>
	(thousands of dollars)	
Balance held in trust	<u>\$419</u>	<u>\$258</u>

Note 12 Budget

The 1995 budget is presented for comparison with the 1995 actual figures. The Operating Fund budget was approved by the Board. The Abandonment Fund budget was approved by the Board and the Fund's Advisory Committee.

Note 13 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by the Chair and the Chief Operating Officer.

ENERGY RESOURCES CONSERVATION BOARD
SCHEDULE OF OPERATING FUND REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	Oil and Gas	Hydro and Electric, and Coal	Total 1995		Total 1994
			Actual	Budget (Note 12)	Actual
Revenue:					
Levies	\$19,253	\$ —	\$19,253	\$18,950	\$19,895
Contributions from Province of Alberta	16,950	1,950	18,900	18,900	19,900
Applications and licences	12,240	50	12,290	8,200	10,125
Information and services	3,111	—	3,111	3,000	3,215
Interest	1,084	—	1,084	700	819
Miscellaneous	1,051	5	1,056	1,336	529
	<u>53,689</u>	<u>2,005</u>	<u>55,694</u>	<u>51,086</u>	<u>54,483</u>
Expenditure:					
Salaries and employee benefits	30,283	1,901	32,184	32,295	34,306
Severance and termination	1,338	224	1,562	—	19
Building rent, improvements and maintenance	5,503	173	5,676	6,020	6,111
Computer services	2,845	119	2,964	3,490	3,331
Professional fees	2,461	4	2,465	1,385	1,655
Minor capital acquisition	1,394	41	1,435	595	661
Travel and vehicle	1,189	26	1,215	1,395	1,053
Amortization (Note 3)	1,010	3	1,013	596	1,327
Equipment rental and maintenance	764	17	781	994	848
Supplies	757	7	764	477	604
Telephone	509	13	522	575	538
Software acquisitions	384	36	420	355	556
Postage and deliveries	188	8	196	201	202
Publications	178	6	184	168	185
Insurance	118	4	122	126	120
Miscellaneous	310	30	340	418	285
	<u>49,231</u>	<u>2,612</u>	<u>51,843</u>	<u>49,090</u>	<u>51,801</u>
Surplus (deficit) for the year	4,458	(607)	3,851	\$ 1,996	2,682
Surplus (deficit) at beginning of year, as restated (Note 3)	3,668	(754)	2,914		(128)
Appropriation:					
Returned from reserves	—	—	—		360
Surplus (deficit) at end of year	<u>\$ 8,126</u>	<u>\$ (1,361)</u>	<u>\$ 6,765</u>		<u>\$ 2,914</u>

ENERGY RESOURCES CONSERVATION BOARD
 SCHEDULE OF ABANDONMENT FUND REVENUE, EXPENDITURE AND SURPLUS
 FOR THE YEAR ENDED MARCH 31, 1995
 (thousands of dollars)

	Orphan Well Abandonment Fund	Abandonment Fund	Total 1995		Total 1994
			Actual	Budget (Note 12)	Actual
Revenue:					
Levies	\$1,523	\$ —	\$1,523	\$1,492	\$1,714
Applications and licences	780	—	780	350	660
Interest	188	255	443	180	240
Miscellaneous	393	2	395	—	361
	<u>2,884</u>	<u>257</u>	<u>3,141</u>	<u>2,022</u>	<u>2,975</u>
Expenditure:					
Salaries and employee benefits	—	83	83	116	96
Building rent, improvements and maintenance	—	—	—	—	3
Professional fees	55	80	135	281	125
Well abandonment	1,881	10	1,891	1,704	508
Minor capital acquisitions	—	—	—	8	20
Travel and vehicle	—	2	2	4	3
Software acquisitions	—	—	—	—	1
Postage and deliveries	—	—	—	2	—
Insurance	21	—	21	29	2
Miscellaneous	30	239	269	90	128
	<u>1,987</u>	<u>414</u>	<u>2,401</u>	<u>2,234</u>	<u>886</u>
Surplus (deficit) for the year	897	(157)	740	<u>\$ (212)</u>	2,089
Surplus at beginning of year	2,170	4,194	6,364		—
Appropriation:					
Returned from reserves	—	—	—		4,275
Surplus at end of year	<u>\$3,067</u>	<u>\$4,037</u>	<u>\$7,104</u>		<u>\$6,364</u>

PUBLIC UTILITIES BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Surplus (Deficit Recoverable)
Statement of Cash Flows
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the Public Utilities Board

I have audited the balance sheet of the Public Utilities Board as at March 31, 1995 and the statements of revenue, expenditure and surplus (deficit recoverable) and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 26, 1995

PUBLIC UTILITIES BOARD
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash (Note 4)	\$ 752,253	\$ 514,009
Accountable advances to staff	5,100	6,900
Accounts receivable	<u>—</u>	<u>150</u>
	757,353	521,059
Capital assets (Note 5)	160,985	160,231
	<u>\$ 918,338</u>	<u>\$ 681,290</u>
LIABILITIES AND EQUITY		
Current:		
Accounts payable	\$ 78,480	\$ 207,834
Accrued vacation pay	165,525	189,000
	<u>244,005</u>	<u>396,834</u>
Pension liability (Note 6)	449,000	529,000
Surplus (deficit recoverable) (Note 3)	225,333	(244,544)
	<u>\$ 918,338</u>	<u>\$ 681,290</u>
The accompanying notes are part of these financial statements.		

PUBLIC UTILITIES BOARD
STATEMENT OF REVENUE, EXPENDITURE AND
SURPLUS (DEFICIT RECOVERABLE)
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>		<u>1994</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 9)		
Revenue:			
Contributions from the Province of Alberta	\$ 985,000	\$ 985,000	\$ 985,000
Assessment of utilities	<u>1,969,990</u>	<u>1,969,990</u>	<u>1,949,999</u>
	2,954,990	2,954,990	2,934,999
Expenditure:			
Manpower (Note 8)	2,247,990	1,833,055	2,157,310
Professional, technical and labour services	330,000	298,790	236,584
Amortization of capital assets (Note 3)	116,000	117,940	84,347
Materials and supplies	68,000	105,975	64,771
Travel and relocation	85,000	57,050	60,439
Equipment and facilities rental	45,000	26,828	34,663
Repair and maintenance of equipment	30,000	22,332	30,003
Data processing services	10,000	8,206	5,188
Freight and postage	6,000	5,572	5,736
Insurance and advertising	6,000	5,314	12,523
Hospitality	5,000	2,611	2,614
Telephone and facsimile	<u>5,000</u>	<u>1,440</u>	<u>2,318</u>
	2,953,990	2,485,113	2,696,496
Excess of revenue over expenditure (Note 3)	<u>\$ 1,000</u>	469,877	238,503
Deficit recoverable at beginning of year, as restated (Note 3)		(244,544)	(483,047)
Surplus (deficit recoverable) at end of year		<u>\$ 225,333</u>	<u>\$ (244,544)</u>

PUBLIC UTILITIES BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Sources and uses of cash from		
Operating activities		
Contributions from the Province of Alberta	\$ 985,000	\$ 1,100,000
Assessment of utilities	1,969,990	1,949,999
Miscellaneous refunds and repayments	1,950	1,981
Manpower	(1,936,700)	(2,187,046)
Supplies and services	<u>(525,745)</u>	<u>(451,887)</u>
	494,495	413,047
Investing activity		
Capital assets	<u>(256,251)</u>	<u>(70,874)</u>
Net increase in cash	238,244	342,173
Cash at beginning of year	514,009	171,836
Cash at end of year	<u>\$ 752,253</u>	<u>\$ 514,009</u>

PUBLIC UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Public Utilities Board (the "Board") operates under the authority of the Public Utilities Board Act, Chapter P-37, Revised Statutes of Alberta 1980, as amended.

On February 15, 1995, the Lieutenant Governor in Council proclaimed the Alberta Energy and Utilities Board Act, Chapter A-19.5, Statutes of Alberta 1994, establishing the Alberta Energy and Utilities Board (the "AEUB"). The members of the Public Utilities Board and the Energy Resources Conservation Board (the "ERCB") are members of the AEUB. The Alberta Energy and Utilities Board Act states that all matters that may be dealt with by the Board or the ERCB under any enactment or as otherwise provided by law shall be dealt with by the AEUB and are within the exclusive jurisdiction of the AEUB. From February 15, to March 31, 1995, the Board and the ERCB continued to deal with their administrative matters separately and, accordingly, each has prepared its own separate financial statements.

The Board is charged with balancing the interests of the consuming public and the utility companies. Its primary responsibility is to ensure that Albertans receive safe and efficient utility service at rates which are just and reasonable.

Note 2 Significant Accounting Policies

(a) Capital Assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware and software	3 years
Office equipment and furniture	5 years

(b) Surplus (Deficit Recoverable)

The Act requires that not less than one-third of the estimated expenditure of the Board in a fiscal year be funded by a grant from the Province of Alberta through the Department of Energy. That part of the estimated expenditure not provided by the Province is collected through assessments and costs imposed on regulated utilities by the Board pursuant to the Act.

Contributions received in excess of operating requirements of the fiscal year are reported as surplus and are available to fund operations of subsequent years. Shortfalls in contributions are shown as deficit recoverable and will be taken into account in determining assessments for subsequent years.

Note 3 Change in Accounting Policy

During the year, the Board retroactively changed its accounting policy to record amortization of capital assets as expenditure. In prior years, the acquisition cost of capital assets was recorded as expenditures. Capital assets were shown on the balance sheet at original cost less accumulated amortization with a corresponding credit to equity in capital assets. As a result of this change, expenditure in the current year decreased by \$754 (1994 \$125,134).

In addition, amounts previously shown on the balance sheet as due from the Province of Alberta and assessment of utilities are now recorded as deficit recoverable.

The deficit recoverable at the beginning of the year has been retroactively restated to reflect the effect of these changes as follows:

	1995	1994
Deficit recoverable at beginning of year (previously reported as due from Province of Alberta and assessment of utilities)	\$404,775	\$518,144
Effect of change in manner of recording amortization	160,231	35,097
Deficit recoverable at beginning of year, as restated	<u>\$244,544</u>	<u>\$483,047</u>

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. Interest amounting to \$72,820 (1994 \$56,320) earned on such deposits is credited directly to the General Revenue Fund and is not reflected in these financial statements.

Note 5 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$420,657	\$303,371	\$117,286	\$143,401
Office equipment and furniture	80,191	36,492	43,699	16,830
	<u>\$500,848</u>	<u>\$339,863</u>	<u>\$160,985</u>	<u>\$160,231</u>

Note 6 Pension Liability

The Board participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Board's employees based on years of service and earnings.

The Board had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995	1994
Public Service	\$ 77,000	\$ 87,000
Management Employees	372,000	442,000
	<u>\$449,000</u>	<u>\$529,000</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations, as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pensions Plan Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Board's portion of those employers' liabilities was based on the Board's percentage of the total pensionable payroll of all employers.

Note 7 Administration Costs

Office accommodation and certain other overhead costs incurred in the administration of the Board have been borne by the General Revenue Fund and are not reflected in these financial statements.

Note 8 Salaries and Benefits

Salary and benefit details are provided in accordance with Treasury Board Directive 01/94.

	1995				1994	
	Number of FTE's	Salary ^(a)	Benefits ^(b) and Allowances	Total	Number of FTE's	Total
Acting Chairman and Chief Executive Officer ^(c)	1	\$ 89,800	\$ 17,947	\$ 107,747	1	\$ 98,322
Board Member	1	24,128	16,379	40,507	1	98,692
Board Member	1	80,400	13,114	93,514	1	96,218
Board Member ^(d)	1	85,580	4,863	90,443	1	93,198
Board Member ^(d)	1	85,940	6,088	92,028	1	92,041
Board Member	1	76,950	11,884	88,834	1	89,809
Board Secretary and Executive Director	1	75,446	13,277	88,723	1	92,324
Other managers (average salary plus benefits: 1995 \$68,630, 1994 \$68,924)	3	168,077	37,813	205,890	3	206,774
Other full-time staff (average salary plus benefits: 1995 \$45,110, 1994 \$47,146)	22	842,287	150,127	992,414	27	1,272,941
	<u>32</u>	<u>\$1,528,608</u>	<u>\$ 271,492</u>	<u>1,800,100</u>	<u>37</u>	<u>2,140,319</u>
Other costs ^(e)				112,955		16,991
Pension liability adjustment				(80,000)		—
				<u>\$1,833,055</u>		<u>\$2,157,310</u>

(a) Salary includes regular base pay, overtime, lump sum payments, and other direct cash remuneration.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including Blue Cross, Public Service Pension Plan and the Management Employees Pension Plan including accrued pension liability, CPP, UIC, professional memberships, tuition, insurance, and vacation paid out.

(c) Following the amalgamation of the Public Utilities Board and the Energy Resources Conservation Board to form the Alberta Energy and Utilities Board, a new Chairman and CEO was appointed effective March 1, 1995. That person's salary is paid by the Energy Resources Conservation Board and is not included above.

(d) Opted out of Management Employees Pension Plan; salary incremented in lieu of employer contributions.

(e) Other costs include payments made in respect to the voluntary severance incentive program and accrued vacation pay.

Note 9 Budget

The 1995 budget was approved by management on March 10, 1994 and is presented for comparison with the 1995 actual figures.

Note 10 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 11 Approval of Financial Statements

These financial statements were approved by management.

TAKE-OR-PAY COSTS SHARING FUND
FINANCIAL STATEMENTS
NOVEMBER 28, 1994

Auditor's Report
Balance Sheet
Statement of Revenue and Expenditure
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Petroleum Marketing Commission

I have audited the balance sheet of the Take-or-pay Costs Sharing Fund as at November 28, 1994 and the statement of revenue and expenditure for the eleven months then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at November 28, 1994 and the results of its operations and the changes in its financial position for the eleven months then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 15, 1995

TAKE-OR-PAY COSTS SHARING FUND
BALANCE SHEET
AS AT NOVEMBER 28, 1994

	1994	December 31, 1993
ASSETS		
Current		
Cash and short-term investments	\$ —	\$ 250,448
Accounts receivable	<u>—</u>	<u>805,327</u>
	<u>\$ —</u>	<u>\$1,055,775</u>
LIABILITIES		
Current		
Accounts payable	\$ —	\$ 419,813
Deferred revenue	<u>—</u>	<u>635,962</u>
	<u>\$ —</u>	<u>\$1,055,775</u>

The accompanying notes are part of these financial statements.

TAKE-OR-PAY COSTS SHARING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE ELEVEN MONTHS ENDED NOVEMBER 28, 1994

	1994	12 months ended December 31, 1993
Revenue		
Take-or-pay levies	\$ 3,230,147	\$15,648,248
Interest	<u>9,728</u>	<u>66,326</u>
	<u>3,239,875</u>	<u>15,714,574</u>
Expenditure		
Take-or-pay costs	2,918,820	15,469,464
Administration costs (Note 3)	<u>45,380</u>	<u>245,110</u>
	<u>2,964,200</u>	<u>15,714,574</u>
Excess of revenue over expenditure	275,675	—
Distribution on wind-up of Fund (Note 1)	<u>275,675</u>	<u>—</u>
	<u>\$ —</u>	<u>\$ —</u>

TAKE-OR-PAY COSTS SHARING FUND
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 28, 1994

Note 1 Authority

The Take-or-pay Costs Sharing Fund was established by the Take-or-pay Costs Sharing Act, Chapter T-0.1, Statutes of Alberta 1986, as amended.

In accordance with the Take-or-pay Costs Sharing Act, the Fund has been wound up. The last delivery month for the Fund was October, 1994. The remaining balance in the Fund was distributed on November 28, 1994.

Note 2 Significant Accounting Policies

Deferred Revenue

Deferred revenue represented the portion of current year revenue which was to be used to pay future take-or-pay costs.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered adequate.

Note 3 Administration Costs

In accordance with the Take-or-pay Costs Sharing Act, the Fund was administered by the Alberta Petroleum Marketing Commission. Costs of administration are reflected in the Commission's Operating Fund Statement of Revenue and Expenditure. These costs are recovered by the Commission by a charge against the Take-or-pay Costs Sharing Fund.

Note 4 Approval of Financial Statements

These financial statements have been approved by the Vice Chairman of the Alberta Petroleum Marketing Commission.

540540 ALBERTA LTD.
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Net Income
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Shareholder

I have audited the balance sheet of 540540 Alberta Ltd. as at March 31, 1995 and the statements of net income and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 25, 1995

540540 ALBERTA LTD.
BALANCE SHEET
MARCH 31, 1995

	1995	1994
ASSETS		
Cash	\$ 61,742	\$ 143,865
Due from General Revenue Fund	—	170,624
Operating shortfall receivable	—	17,810,835
	<u>\$ 61,742</u>	<u>\$18,125,324</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Notes payable	\$ —	\$18,125,323
Due to General Revenue Fund (Note 2)	61,741	—
Share capital (Note 3)	1	1
	<u>\$ 61,742</u>	<u>\$18,125,324</u>

The accompanying notes are part
of these financial statements.

540540 ALBERTA LTD.
STATEMENT OF NET INCOME
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	<u>Budget</u>	<u>Actual</u>
Income:		<u>Actual</u>
Interest	\$ —	\$ 57,858
Expenditure:		\$ 4,738
Amortization of discount on debt	1,000,000	1,020,689
Net loss from operations	1,000,000	708,453
Contribution by the General Revenue Fund (Note 2)	1,000,000	962,831
Net income	<u>\$ —</u>	<u>703,715</u>

540540 ALBERTA LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Net income	\$ —	\$ —
Amortization of discount on debt	1,020,689	708,453
	<u>1,020,689</u>	<u>708,453</u>
Add: Changes in non-cash working capital		
Due to/from General Revenue Fund	232,365	30,845
	<u>1,253,054</u>	<u>739,298</u>
Investing activities:		
Proceeds from repayment of operating shortfall advances	19,333,336	—
Operating shortfall advances	(1,522,501)	(7,660,835)
	<u>17,810,835</u>	<u>(7,660,835)</u>
Financing activities:		
Net proceeds from notes issued	98,301,988	35,819,708
Repayment of notes	(117,448,000)	(28,792,000)
	<u>(19,146,012)</u>	<u>7,027,708</u>
Increase (decrease) in cash	(82,123)	106,171
Cash at beginning of year	143,865	37,694
Cash at end of year	<u>\$ 61,742</u>	<u>\$ 143,865</u>

540540 ALBERTA LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

- Note 1

Authority

540540 Alberta Ltd. (the Company) was incorporated on September 14, 1992 under the Business Corporations Act, Chapter B-15, Statutes of Alberta, and commenced operation on October 15, 1992. All of the issued shares of the Company are owned by the Province of Alberta and, accordingly, the Company is exempt from the Income Tax Act.
- Note 2

Nature of Operation

The Province of Alberta (the Province), as a joint venture participant, funded its share of operating shortfalls incurred by the Lloydminster Bi-provincial Upgrader Project (the Project). Funding was provided in accordance with the terms of the Joint Venture Agreement governing the operation of the Project. The Company was established for the sole purpose of providing this funding on behalf of the Province.

Under the terms of an agreement between the Province and the Company, the Province paid to the Company an amount equal to the estimated net interest cost of the Company's borrowing for the fiscal year.

During the year the Province sold its investment in the Project. Proceeds from the sale were used to repay the operating shortfall receivable. Accordingly, the Company is being wound up and the net assets will be transferred to the General Revenue Fund.
- Note 3

Share Capital

Authorized

An unlimited number of Class "A" Common Voting Shares

An unlimited number of Class "B" Common Non-Voting Shares

An unlimited number of Class "I" Preferred Shares

An unlimited number of Class "II" Preferred Shares

Issued

100 Class "A" Common Voting Shares

\$1
- Note 4

Approval of Financial Statements

These financial statements have been approved by the sole Director.

ALBERTA ENVIRONMENTAL RESEARCH TRUST
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Unexpended Funds
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Board of Trustees of the
Alberta Environmental Research Trust

I have audited the balance sheet of the Alberta Environmental Research Trust as at March 31, 1995 and the statements of revenue, expenditure and unexpended funds and changes in financial position for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 26, 1995

ALBERTA ENVIRONMENTAL RESEARCH TRUST
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash	\$ 542,671	\$1,214,316
Travel advance to employee	500	500
Prepaid insurance	—	1,402
Accounts receivable	—	392
	<u>543,171</u>	<u>1,216,610</u>
Office equipment (Note 4)	1,219	1,503
	<u>\$ 544,390</u>	<u>\$1,218,113</u>
LIABILITIES AND UNEXPENDED FUNDS		
Current:		
Research grants payable	\$ 487,564	\$1,172,293
Accounts payable	54,113	2,575
	<u>541,677</u>	<u>1,174,868</u>
Unexpended funds	2,713	43,245
	<u>\$ 544,390</u>	<u>\$1,218,113</u>

The accompanying notes are part
of these financial statements.

ALBERTA ENVIRONMENTAL RESEARCH TRUST
STATEMENT OF REVENUE, EXPENDITURE AND UNEXPENDED FUNDS
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Revenue		
Donations	\$ 307,408	\$ 539,601
Contributions from Alberta Lotteries	200,000	200,000
Contributions from the Province of Alberta (Note 5)	5,337	95,337
Interest	51,941	69,565
Other	668	—
	<u>565,354</u>	<u>904,503</u>
Expenditure		
Research grants	472,028	381,746
Salaries, honoraria and benefits (Note 6)	63,170	62,431
Severance pay	51,276	—
Office and administration	10,425	9,849
Travel and entertainment	5,242	7,574
Professional fees	480	2,311
Amortization of office equipment	284	944
Miscellaneous	2,981	3,436
	<u>605,886</u>	<u>468,291</u>
Excess (deficiency) of revenue over expenditure	(40,532)	436,212
Unexpended funds (deficit) at beginning of year, as restated (Note 3)	43,245	(392,967)
Unexpended funds at end of year	<u>\$ 2,713</u>	<u>\$ 43,245</u>

ALBERTA ENVIRONMENTAL RESEARCH TRUST
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Cash provided from (used in) operating activities:		
Excess (deficiency) of revenue over expenditure	\$ (40,532)	\$ 436,212
Amortization of office equipment	284	944
Changes in non-cash working capital:		
Prepaid insurance	1,402	—
Accounts receivable	392	1,227
Research grants payable	(684,729)	(416,486)
Accounts payable	51,538	977
Increase (decrease) in cash	(671,645)	22,874
Cash, beginning of year	<u>1,214,316</u>	<u>1,191,442</u>
Cash, end of year	<u>\$ 542,671</u>	<u>\$1,214,316</u>

ALBERTA ENVIRONMENTAL RESEARCH TRUST
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority

The Alberta Environmental Research Trust operates under the authority of the Alberta Environmental Research Trust Act, Chapter A-20, Revised Statutes of Alberta 1980, as amended, for the purpose of provincial expansion of applied and fundamental research and development relative to environmental improvement.

The Government of Alberta introduced legislation during the 1995 spring session of the Legislature which, if passed, will wind-up the affairs of the Alberta Environmental Research Trust. Monies remaining in the Trust will vest in the Environmental Protection and Enhancement Fund established under the Environmental Enhancement and Protection Act, and any outstanding funding commitments of the Trust will be paid out of the Fund.

Note 2 Significant Accounting Policies

Office Equipment

Office equipment is recorded at cost, less accumulated amortization based on an estimated useful life of three years for computer equipment and ten years for other office equipment.

Donations

Donations are reported as revenue in the fiscal year in which they are received.

Note 3 Changes in Accounting Policy

(a) Capital Assets

The Trust has changed the way it accounts for office equipment. In prior years, purchases of office equipment were charged to expenditure in the year of acquisition. In addition, the cumulative amount of such expenditures was shown on the balance sheet with an offsetting credit to equity in capital assets. Under the new accounting treatment, purchases of office equipment are capitalized, and amortization is charged to operations on the basis described in Note 2. This change has been applied retroactively and had the effect of increasing expenditure by \$284 (1994 \$944) and decreasing office equipment by \$7,557 (1994 \$7,273).

(b) Research Grants Payable

In prior years, research grants were expensed on a percentage of completion basis. During the year, the Trust changed its policy to expense grants when they are approved. This change has been applied retroactively and had the effect of decreasing expenditure by \$332,735 (1994 \$774,098) and increasing accounts payable by \$445,836 (1994 \$780,542).

The effect of the above changes on expended funds at the beginning of the year in the Statement of Revenue, Expenditure and Unexpended Funds is as follows:

	<u>1995</u>	<u>1994</u>
Unexpended funds and equity in capital assets at beginning of year, as previously stated	\$ 831,060	\$ 1,168,002
Accumulated amortization of office equipment	(7,273)	(6,329)
Research grants payable	(780,542)	(1,554,640)
Unexpended funds (deficit) at beginning of year, as restated	<u>\$ 43,245</u>	<u>\$ (392,967)</u>

Note 4 Office Equipment

Summary of costs and net book value:

	1995			1994
	Cost	Amortization	Net	Net
Office equipment	<u>\$8,776</u>	<u>\$7,557</u>	<u>\$1,219</u>	<u>\$1,503</u>

Note 5 Contributions from the Province of Alberta

Contributions from the Province of Alberta are as follows:

	1995	1994
Grant from the Department of Environmental Protection	\$ —	\$90,000
Administrative costs borne by the General Revenue Fund	<u>5,337</u>	<u>5,337</u>
	<u>\$ 5,337</u>	<u>\$95,337</u>

Note 6 Salaries, Honoraria and Benefits

Salaries, honoraria and benefits are summarized by individual position and compensation group. Benefits include the employer's share of all employee benefits and contributions including the employer's share of the cost of additional benefits and professional memberships

	1995				1994	
	Full-time Equivalents	Salary and Honoraria	Benefits	Total	Full-time Equivalents	Total
Chairman	1.0	\$ 438	\$ —	\$ 438	1.0	\$ —
Trustees	3.5	942	—	942	6.0	2,873
Manager	1.0	51,276	10,365	61,641	1.0	59,558
Other staff	—	149	—	149	—	—
	<u>5.5</u>	<u>\$52,805</u>	<u>\$10,365</u>	<u>\$63,170</u>	<u>8.0</u>	<u>\$62,431</u>

Note 7 Income Tax Status

The Trust is a registered charity and is therefore exempt from payment of income tax under section 149 of the Income Tax Act.

Note 8 Comparative Figures

The 1994 comparative figures have been reclassified where necessary to conform to 1995 presentation.

Note 9 Approval of Financial Statements

These financial statements have been approved by management.

ALBERTA SPECIAL WASTE
MANAGEMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Revenue, Expenditure and Deficit
Consolidated Statement of Changes in Financial Position
Notes to the Consolidated Financial Statements
Consolidated Schedule of Operating and Administrative Expenditure

AUDITOR'S REPORT

To the Members of the
Alberta Special Waste Management Corporation

I have audited the consolidated balance sheet of the Alberta Special Waste Management Corporation as at March 31, 1995 and the consolidated statements of revenue, expenditure and deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
August 23, 1995

ALBERTA SPECIAL WASTE MANAGEMENT CORPORATION
 CONSOLIDATED BALANCE SHEET
 AS AT MARCH 31, 1995
 (in thousands)
 (Note 4)

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash	\$ 166	\$17,947
Accounts receivable	—	322
Cell monitoring and remedial fund (Note 3)	1,057	—
Prepaid expenses	8	14
	<u>1,231</u>	<u>18,283</u>
Investment in Joint Venture (Note 4(c))	1	45,529
Share of cell monitoring and remedial fund (Note 3)	—	400
Capital assets (Note 5)	1,309	2,352
	<u>\$ 2,541</u>	<u>\$66,564</u>
LIABILITIES AND DEFICIENCY		
Current liabilities:		
Accounts payable and accruals	\$ 142,319	\$ 619
Due to Joint Venture	5,990	1,110
	<u>148,309</u>	<u>1,729</u>
Pension liability (Note 6)	129	306
Due to Joint Venture, deferred (Note 3)	—	9,810
Deferred revenue	—	4,196
Obligation for cell monitoring and remediation (Note 3)	1,057	—
Accumulated provision for future removal and site restoration (Note 11)	7,500	—
Retained earnings (deficit)	(154,454)	50,523
	<u>\$ 2,541</u>	<u>\$66,564</u>

The accompanying notes and schedule are part
 of these consolidated financial statements.

ALBERTA SPECIAL WASTE MANAGEMENT CORPORATION
 CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT
 FOR THE YEAR ENDED MARCH 31, 1995

(in thousands)

(Note 4)

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 12)		
Operating revenue:			
Grant from the General Revenue Fund	\$28,732	\$ 28,732	\$24,233
Interest earnings	500	1,106	982
Other	100	20	154
	<u>29,332</u>	<u>29,858</u>	<u>25,369</u>
Operating expenditure:			
Contribution to Joint Venture operations			
(Note 7)	29,422	38,200	23,704
Operating and administrative, Schedule 1	3,754	3,114	4,469
	<u>33,176</u>	<u>41,314</u>	<u>28,173</u>
Excess (deficiency) of operating revenue			
over expenditure	(3,844)	(11,456)	(2,804)
Capital grant from the General Revenue Fund	—	4,196	29,196
Excess (deficiency) of revenue over expenditure			
before the following:	<u>\$ (3,844)</u>	<u>(7,260)</u>	<u>26,392</u>
Provision for cost of disposal of interest			
in the Joint Venture (Note 4(d))		(139,405)	—
Write down of investment in the Joint			
Venture and related capital assets (Note 4(d))		(49,889)	—
Provision for future removal and site restoration (Note 11)		(8,000)	—
Net provision for cell monitoring and remediation (Note 3)		(423)	—
Excess (deficiency) of revenue over expenditure for the year		<u>(204,977)</u>	<u>26,392</u>
Retained earnings at beginning of year		50,523	24,131
Retained earnings (deficit) at end of year		<u><u>\$(154,454)</u></u>	<u><u>\$50,523</u></u>

ALBERTA SPECIAL WASTE MANAGEMENT CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands)

	<u>1995</u>	<u>1994</u>
Operating activities:		
Excess (deficiency) of revenue over expenditure for the year	\$(204,977)	\$26,392
Non-cash items:		
Interest earned on the Corporation's share of cell monitoring and remedial fund, included in other revenue	(23)	—
Change in pension liability	(177)	7
Amortization	82	621
Write down of capital assets	963	—
(Gain) loss on disposal of capital assets	(2)	1
Provision for cost of disposal of Joint Venture interest	139,405	—
Write down of investment in Joint Venture	48,926	—
Provision for future removal and site restoration	8,000	—
Net provision for cell monitoring and remediation	423	—
	<u>(7,380)</u>	<u>27,021</u>
Decrease (increase) in accounts receivable	322	(291)
Decrease in amount due from the Province	—	239
Decrease (increase) in prepaid expenses	6	(5)
Increase (decrease) in due to the Joint Venture	4,880	(513)
Increase (decrease) in accounts payable and accruals net of provision for cost of disposal of Joint Venture interest (Note 4) and the current portion of provision for future removal and site restoration (Note 11)	1,795	(1,761)
Decrease in security deposits	—	(15)
Cash (used in) provided by operating activities	<u>(377)</u>	<u>24,675</u>
Financing activities:		
(Decrease) increase in due to Joint Venture, deferred	(9,810)	2,049
Decrease in deferred revenue	(4,196)	(2,636)
Cash used in financing activities	<u>(14,006)</u>	<u>(587)</u>
Investing activities:		
Investment in Joint Venture	(3,398)	(23,472)
Share of cell monitoring and remedial fund	—	(400)
Purchase of capital assets	(3)	(83)
Proceeds from disposal of capital assets	3	2
Cash applied to investing activities	<u>(3,398)</u>	<u>(23,953)</u>
(Decrease) increase in cash	(17,781)	135
Cash at beginning of year	17,947	17,812
Cash at end of year	<u>\$ 166</u>	<u>\$ 17,947</u>

ALBERTA SPECIAL WASTE MANAGEMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Special Waste Management Corporation ("ASWMC") operates under the authority of the Special Waste Management Act, Chapter S-21.5, Statutes of Alberta 1982, as amended. ASWMC's approved purpose is to promote the establishment and operation of cost-effective special waste management solutions in Alberta and beyond which protect public health and safety, and enhance environmental quality.

ASWMC pursues its objectives through community waste treatment programs but primarily through a 40% interest in the Alberta Special Waste Management System Joint Venture (the "Joint Venture"). The Joint Venture is in the business of treating and disposing of special waste at its treatment centre near Swan Hills, Alberta. This facility is serviced by a system of transportation and transfer stations, and sales offices located across Canada.

The other 60% of the Joint Venture is owned by BOVAR Inc. ("BOVAR"). Under the terms of the Joint Venture agreement ASWMC is required to make "system contributions" to the Joint Venture, sufficient to cover any annual operating losses and to provide both ASWMC and BOVAR, in their capacity as Venturers (collectively the "Venturers"), with a guaranteed return on their investment. The Joint Venture is operated by Chem-Security (Alberta) Ltd. (the "Operator"), an indirect wholly owned subsidiary of BOVAR.

As the Joint Venture has experienced operating losses since its inception, ASWMC has depended on continued funding from the Province of Alberta to meet its obligation for system contributions.

As explained in Note 4, ASWMC signed a letter of intent in July 1995 to sell its 40% interest in the Joint Venture to BOVAR, at a cost to ASWMC. It is assumed that funding for this disposal will be provided by the Province of Alberta.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

These consolidated financial statements include the accounts of ASWMC and its wholly-owned subsidiary 542936 Alberta Ltd. (collectively the "Corporation"). The subsidiary was formed to facilitate ASWMC's obligations to guarantee certain bank indebtedness of BOVAR. All intercompany amounts are eliminated on consolidation.

(b) Investment in Joint Venture

The investment in the Joint Venture is accounted for on the equity basis, taking into account the planned disposal (see Note 4(c)).

(c) Amortization

Prior to accounting for capital assets at estimated realizable values (see Note 4), capital assets were amortized on a straight-line basis over their estimated useful lives as follows:

Alberta Special Waste Treatment Centre facility services	10 years
Warehouse buildings	20 years
Furniture and equipment:	
Furniture, fixtures	10 years
Audio, visual	5 years
Computer hardware	3 years

(d) Deferred Revenue

In fiscal 1992, 1993, and 1994, the Corporation received grants from the Province to fund its share of major improvements at the Swan Hills facility. This funding was recognized as revenue in the years during which the related expenditures were incurred by the Joint Venture. All such funding was fully utilized by March 31, 1995.

(e) Pension Liability and Expenditure

The Corporation's pension liability is its portion of the pension plan's total unfunded pension liability, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portion is based upon the ratio of pensionable earnings of the Corporation's employees to the earnings of all employees in the pension plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the plan.

Pension expenditure includes pension obligations earned by employees during the year, interest on the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. Pension expenditure is included in salaries and group benefits.

(f) Accumulated Provision for Future Removal and Site Restoration

As the Corporation is planning to dispose of its interest in the Joint Venture, the accumulated provision for future removal and site restoration costs represents the net present value of the costs estimated to restore the property (see Note 11).

Note 3 Investment in Joint Venture

Joint Venture Agreement

The following terms and conditions are contained in the Joint Venture Agreement and will be the subject of negotiations during phases one and two of the Letter of Intent to sell the Corporation's 40% interest in the Joint Venture (see Note 4).

Contributions to Operations

The Corporation is required to provide a system contribution to cover any operating losses experienced by the Joint Venture and to provide the Venturers with a minimum guaranteed return on investment (see Note 7). This obligation survives any change in ownership. The requirement for system contributions may be terminated by mutual agreement and shall terminate if no system contribution has been payable for three consecutive calendar years, but in any case not prior to December 31, 1998.

The contribution to Joint Venture operations on the Statement of Revenue, Expenditure and Deficit represents the contribution necessary to eliminate the Joint Venture operating loss and to provide BOVAR with a minimum guaranteed return on investment.

Due to Joint Venture, Deferred

A portion of the Corporation's contribution to the Joint Venture's operations is not payable until such time as the related Joint Venture deferred revenue is included in the income of the Joint Venture. At March 31, 1995 the amount of the deferred system contribution was \$2.1 million (1994 \$9.8 million).

Under the terms of the Letter of Intent (see Note 4), this deferred payable becomes current during phase one of the proposed sale of the Corporation's interest in the Joint Venture. Accordingly, this amount has been included in the Due to Joint Venture account as part of current liabilities.

Repayable System Contributions

In the event that the Joint Venture generates excess earnings as defined in the Joint Venture Agreement, and subject to certain limitations, a portion of BOVAR's share of those excess earnings will be used to repay the Corporation for any guaranteed rate of return system contribution payments made to BOVAR after December 31, 1992. These payments would commence in the year following the expiry of system contributions.

Cell Monitoring and Remedial Fund

This fund was established by the Venturers and is maintained by Chem-Security (Alberta) Ltd. in an initial amount of \$1 million, through contributions by the Corporation and BOVAR in the ratio of their interests in the Joint Venture. The fund is to be used to maintain the integrity of the landfill cells by funding any major repairs or maintenance required. Twenty years following closure of a landfill cell, and with assurance that the cell is intact, the obligation becomes the sole responsibility of the Corporation, notwithstanding any change in ownership of the Joint Venture. As at March 31, 1995, the Corporation had contributed \$400,000 to the fund, and capitalized interest of \$23,000 had accumulated.

Under the terms of the Letter of Intent (see Note 4), the Corporation will receive the funds, including BOVAR's share, in the cell monitoring and remedial fund at the time of closing of the Definitive Agreement and will assume all financial liabilities for which such fund was established. Accordingly, these funds and related obligations are reflected on the Corporation's balance sheet as at March 31, 1995.

Guarantees

Under an arrangement with BOVAR and its bankers, the Corporation has agreed to acquire the debt and security of BOVAR with regard to the Joint Venture, should BOVAR default on its borrowing provisions with its bank. BOVAR's loan has been approved to a maximum of \$100 million. Should the bank call on the guarantee, the Corporation would be responsible for the lesser of the amounts outstanding or BOVAR's equity in the Joint Venture. At March 31, 1995, the contingent liability was approximately \$86 million.

In addition, the Corporation and BOVAR have jointly and severally guaranteed payment of certain mortgage loans on houses located in Swan Hills, on which the outstanding balances at March 31, 1995 totalled \$7.1 million (1994 \$8.1 million).

Operating Policy

On February 1, 1995, the Lieutenant Governor in Council authorized the Natural Resources Conservation Board to grant Approval #6 for the receipt and treatment by the Alberta Special Waste Treatment System of any hazardous wastes properly consigned to it from other Canadian jurisdictions, for treatment at the Alberta Special Waste Treatment Centre. The approval was subject to certain conditions, one of which was that the Operator ensure that system contributions are not, and do not become, associated with the incremental cost of the treatment of wastes from other Canadian jurisdictions.

Liability, Indemnity and Insuring

The Corporation assumes all liability and indemnifies the Joint Venture, BOVAR and the Operator for damages awarded or claims paid or settled to the extent that they exceed the greater of the policy limits of the insurance coverage, or \$1 million per occurrence.

Termination

Either party can terminate the Joint Venture Agreement at various dates under certain circumstances. In the event of termination, the Corporation must, as a minimum, reimburse BOVAR its net investment in the Joint Venture. In addition, either party to the Joint Venture can purchase the interest of the other at any time by mutual agreement.

Note 4 Discontinuance of Operations

(a) Background

In December 1994, following the appointment of a new Board and President, the Corporation resolved to examine ways of divesting itself of its 40% interest in the Joint Venture. In March 1995, the Corporation restructured its organization to reduce its operating and administration costs by approximately 80%.

(b) Letter of Intent

On July 21, 1995, ASWMC, the Province of Alberta, and BOVAR entered into an agreement (the "Letter of Intent") to sell the Corporation's 40% interest in the Joint Venture to BOVAR. The terms of the Letter of Intent are not legally binding, and significant negotiations are anticipated before a definitive agreement is reached.

The Letter of Intent provides for two negotiating phases. Phase one, to be concluded by September 30, 1995, involves capping all amounts payable by the Corporation to dispose of its interest in the Joint Venture and related obligations, except the obligation to assume liability and indemnification for insurance claims (as set out in Note 3) and the obligation to reclaim the site (as set out in Note 11).

If phase one is completed as envisaged, \$8.3 million will be paid to BOVAR in exchange for effectively limiting the Corporation's obligations under the Joint Venture Agreement to a maximum of \$139.2 million, other than its obligation to indemnify the Joint Venture or BOVAR for insurance claims should they arise, and the obligation to reclaim the site. Specifically, ASWMC's subsidiary will assume all rights and obligations under the Joint Venture Agreement (except those relating to insurance indemnities and site reclamation costs) in exchange for the \$139.2 million. Recourse by BOVAR is then limited to the assets of the subsidiary. The successful completion of phase one will not result in the Corporation being released from its obligation to guarantee BOVAR's bank loan. However, during phase one the subsidiary has the right to discharge BOVAR's bank loan if, at any time, the subsidiary's liquid assets equal the amount of the loan outstanding.

It is proposed that phase two will be concluded by December 31, 1995. Phase two involves discharging any remaining obligations under the BOVAR bank loan guarantee and negotiating the transfer to BOVAR of the 40% interest in the Joint Venture together with the sum of \$139.2 million (less any amounts paid after June 30, 1995 by the Corporation to the Joint Venture and any amounts paid to discharge BOVAR's bank loan).

If phases one and two are completed as envisaged, ASWMC and the Province will be released from all obligations related to the Alberta Special Waste Management System Joint Venture, except for the obligation to complete site remediation.

(c) Write down of Investment in the Joint Venture

As there is a formal plan to sell the Corporation's 40% interest in the Joint Venture to BOVAR at a net cost to the Corporation, the Corporation's investment in the Joint Venture has been written down to \$1, as follows:

	1995	1994
	(in thousands)	
Balance at beginning of year	\$45,529	\$22,057
Additions:		
Cash calls for plant expansion and operating funds	25,948	41,449
Reductions:		
Share of Joint Venture receipts	(13,555)	(10,448)
Corporation's 40% share of Joint Venture operating deficiency (Note 7)	(8,995)	(7,529)
Balance at end of year, before write down	48,927	45,529
Write down	48,926	—
Balance at end of year	<u>\$ 1</u>	<u>\$45,529</u>

(d) Costs of Discontinuance of Operations
(in thousands)

As the Corporation has had a plan to dispose of its interest in the Joint Venture since December 1994, and has subsequently signed a letter of intent that will result in a discontinuance of the active operations of the Corporation, all costs relating to the discontinuance have been accrued in these financial statements as follows:

Write down of investment in Joint Venture and related capital assets	<u>\$ (49,889)</u>
Cost of disposing of interest in Joint Venture	<u>\$ (147,500)</u>
Estimate of operating income from April 1, 1995 to date of discontinuance of operations:	
- net system contributions	(9,621)
- operating and administrative expenditure	(661)
- grant and interest revenue	18,377
	<u><u>\$ (139,405)</u></u>

Note 5 Capital Assets

As explained in Notes 1, 3 and 4, the Corporation's 40% interest in the Joint Venture is the subject of a formal plan for disposal. Accordingly, the utilities and deep well lease have been written off.

	1995			1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Alberta Special Waste Treatment Centre:				
Utilities	\$ —	\$ —	\$ —	\$ 936
Deep well lease	—	—	—	27
Land	74	—	74	74
	<u>74</u>	<u>—</u>	<u>74</u>	<u>1,037</u>
Warehouse properties:				
Buildings	1,320	198	1,122	1,188
Land	80	—	80	80
Furniture and equipment	131	98	33	47
	<u>\$1,605</u>	<u>\$296</u>	<u>\$1,309</u>	<u>\$2,352</u>

Note 6 Pension Liability

The Corporation participates with other employers in two defined benefit pension plans. These plans provide pensions for the Corporation's employees based on length of service and earnings.

The Corporation had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995	1994
	(in thousands)	
Public Service Pension Plan	\$ 6	\$ 16
Management Employees Pension Plan	123	290
	<u>\$129</u>	<u>\$306</u>

The total unfunded pension liability is based on a December 31, 1993 actuarial valuation for the Public Service Pension Plan and a December 31, 1994 actuarial valuation for the Management Employees Pension Plan, extrapolated to March 31, 1995. The 1994 comparative figure was based on an extrapolation of a December 31, 1991 actuarial valuation.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers.

Note 7 Contribution to Operations

The Corporation's contributions to the Joint Venture to cover its operating deficiency and to provide BOVAR with the agreed rate of return were as follows:

	1995	1994
	(in thousands)	
Support for 100% of the Joint Venture's operating deficiency	\$22,487	\$18,822
Guaranteed return to Joint Venture partner	15,713	4,882
	<u>\$38,200</u>	<u>\$23,704</u>

Note 8 Related Party Transactions

The Corporation paid \$1.5 million (1994 \$1.8 million) to the Joint Venture for commercial transactions made in the ordinary course of business. These transactions are included in the waste treatment and handling and warehousing expense categories on Schedule 1.

Note 9 Administration Expenses

Head office premises and certain basic office furnishings are provided by the Province of Alberta. These assets and certain administrative services are provided at no charge and accordingly are not reflected in these financial statements.

Note 10 Staff Compensation

Salaries and related benefits paid to or on behalf of Corporation staff for the year are as follows:

	1995				1994	
	Number of Individuals ⁽¹⁾	Salary ⁽²⁾	Benefits and Allowances ⁽³⁾	Total	Number of Individuals ⁽¹⁾	Total
President and Chief Executive Officer ⁽⁴⁾⁽⁵⁾	1	\$ 67,575	\$ 19,473	\$ 87,048	1	\$ 114,718
Executives ⁽⁶⁾	—	—	—	—	1	110,580
Vice President, Operations and Business Development ⁽⁷⁾	—	—	—	—	1	97,299
Vice President, Finance and Chief Financial Officer	1	78,090	15,233	93,323	1	97,299
Director, Environmental and Technical Services ⁽⁸⁾	1	73,056	14,203	87,259	—	—
Director, Strategic Management	1	66,073	19,580	85,653	1	82,699
Director, Public Affairs and Programs ⁽⁹⁾	1	44,980	14,086	59,066	1	51,514
Other managers (average 1995 \$81,381, 1994 \$84,717)	1	65,966	15,415	81,381	3	254,152
Other full-time staff ⁽¹⁰⁾ (average 1995 \$27,646, 1994 \$32,754)	6	134,791	31,084	165,875	7	229,279
Contract staff ⁽¹¹⁾	1	13,221	1,826	15,047	1	36,000
Board members ⁽¹²⁾	6	29,772	245	30,017	7	33,800
		<u>\$573,524</u>	<u>\$131,145</u>	<u>\$704,669</u>		<u>\$1,010,041</u>

The reconciliation of salaries and group benefits disclosed in this note, to salaries and group benefits as disclosed in Schedule 1, is as follows:

	1995	1994
	(in thousands)	
Amount per preceding schedule	\$ 705	\$1,010
Accrued vacation pay adjustment	(23)	(27)
Temporary salaries	—	7
Board expenditures	(30)	(34)
(Decrease) increase in pension liability	(177)	7
Professional membership fees	(2)	(2)
Workers' compensation	10	—
Other	(1)	17
Total salaries and group benefits per Schedule 1	<u>\$ 482</u>	<u>\$ 978</u>

- (1) Number of employees includes all employees whether employed for a full or partial year.
- (2) Salary includes regular base pay and acting pay.
- (3) Corporation's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plan, professional memberships and tuition. Totals for 1994 include contributions to workers' compensation, but the 1995 benefits figures do not include such contributions. Restatement of the 1994 figures was not considered practicable. The amount of workers' compensation contributions included in the 1994 totals is \$10,144.
- (4) Automobile provided, no amount included in benefits and allowances figure.
- (5) Position became unpaid on December 31, 1994.
- (6) All individuals listed are in senior decision making/management positions.
- (7) Position abolished March 31, 1994.
- (8) Position established April 1994 in response to corporate restructuring.
- (9) Individual in this position was on maternity leave for two months of the 1995 period and five months of the 1994 period.
- (10) Full-time staff consists of all individuals working 29 hours or more per week.
- (11) Contract terminated August 30, 1994.
- (12) Remuneration paid directly by the Corporation to members of the Board. The Board consisted of 7 members for the period April 1, 1994 - November 30, 1994. This Board was replaced by a new Board of six members on December 1, 1994.

Only the President, the Vice President, Finance and Chief Financial Officer, the Director, Environmental and Technical Services, the Director, Strategic Management, and two full-time staff remained on the staff of the Corporation at March 31, 1995. The Directors of Strategic Management and of Environmental and Technical Services were transferred to the Department of Environmental Protection subsequent to the year end.

Note 11 Provision for Future Removal and Site Restoration

(a) Swan Hills facility

Under the Joint Venture Agreement, the Corporation is responsible for all site remediation that may be required upon closure of the Swan Hills facility. An agreement with the Province of Alberta requires the Corporation to restore the property to stated reclaimed standards.

In March 1995, an independent consultant tested the amount of contamination of the plant site, excluding the underdrain system located under the retention pond liner, the landfill areas and cells. The consultant's preliminary report indicated that the estimated cost of decontaminating the areas tested is approximately \$100,000. The consultant further estimated that the cost of decommissioning the plant could range from \$31 million to \$57 million. \$42 million is considered a reasonable estimate of the decommissioning cost, representing the mid-point of the range after deducting the plant's estimated salvage value.

The \$7.5 million accumulated provision for future removal and site restoration on the consolidated balance sheet represents the net present value of the \$42 million estimate for decommissioning and the \$100,000 for decontamination remediation, assuming a 20 year operating life for the plant and using a discount rate of 8.98%. Because assumptions can change, as can the amount of decontamination or the decommissioning methods used, these costs could decrease or increase by a material amount.

(b) Other

In addition to the Swan Hills facility, the Corporation owns two adjacent warehouse properties in Nisku, Alberta, which have been used as a transfer station and a storage location for various types of hazardous waste. A further provision of \$500,000 has been established representing management's estimate of future clean-up costs. This amount is included as part of the accounts payable and accruals in the current liabilities section in the balance sheet.

Note 12 Budget

The Corporation's 1994-95 budget was approved by the Members on March 17, 1994.

Note 13 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by management and the Audit Committee.

ALBERTA SPECIAL WASTE MANAGEMENT CORPORATION
CONSOLIDATED SCHEDULE OF OPERATING
AND ADMINISTRATIVE EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands)

	<u>1995</u>	<u>1994</u>
Waste treatment and handling	\$1,455	\$1,660
Salaries and group benefits	482	978
Warehousing	225	318
Swan Hills off-site services	196	128
Advertising and promotion	164	36
Employee severance plans	125	146
External consultants	124	241
Amortization of capital assets	82	621
Staff travel	75	98
Professional fees	53	72
Members' honoraria and expenses	43	50
Office expenses	41	88
Miscellaneous	49	33
	<u>\$3,114</u>	<u>\$4,469</u>

ENVIRONMENT COUNCIL OF ALBERTA
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Chief Executive Officer of the
Environment Council of Alberta

I have audited the balance sheet of the Environment Council of Alberta as at March 31, 1995 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 3, 1995

ENVIRONMENT COUNCIL OF ALBERTA
BALANCE SHEET
AS AT MARCH 31, 1995

	1995	1994
ASSETS		
Current:		
Cash	\$141,691	\$426,567
Accounts receivable	879	2,564
Prepaid expenses	2,520	6,109
Due from the General Revenue Fund	186,562	6,165
	<u>331,652</u>	<u>441,405</u>
Capital assets (Note 3)	54,957	79,761
	<u>\$386,609</u>	<u>\$521,166</u>
LIABILITIES AND SURPLUS		
Current:		
Accounts payable	\$228,000	\$124,120
Pension liability (Notes 4 and 5)	67,000	183,000
Surplus (Note 4)	91,609	214,046
	<u>\$386,609</u>	<u>\$521,166</u>

The accompanying notes and schedule
are part of these financial statements.

ENVIRONMENT COUNCIL OF ALBERTA
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 7)	Actual	Actual
Revenue:			
Contributions from the General Revenue Fund	\$1,338,000	\$1,457,217	\$1,467,617
Contributions - other sources	—	6,045	—
	<u>1,338,000</u>	<u>1,463,262</u>	<u>1,467,617</u>
Expenditure:			
Salaries and benefits (Note 4)	895,000	872,200	1,003,344
Professional services	548,400	445,328	320,926
Printing	77,000	78,003	17,694
Travel	94,100	69,068	70,425
Amortization	—	54,775	52,203
Office supplies, postage and miscellaneous	49,300	32,143	23,649
Rentals	25,000	17,918	18,518
Hosting	16,100	9,307	10,956
Data processing services	3,500	2,374	2,080
Telephone and communications	4,100	2,069	2,559
Equipment maintenance	2,000	1,394	940
Advertising	5,500	792	4,742
Loss on disposal of office equipment	—	328	421
Alberta Round Table on Environment and Economy expenditures	—	—	41,604
Other purchased services	—	—	19,573
	<u>1,720,000</u>	<u>1,585,699</u>	<u>1,589,634</u>
Net loss for the year (Note 4)	<u>\$ (382,000)</u>	<u>(122,437)</u>	<u>(122,017)</u>
Surplus at beginning of year, as previously reported			52,063
Adjustment for correction of prior year error (Note 4)			284,000
Surplus at beginning of year, as restated		214,046	336,063
Surplus at end of year		<u>\$ 91,609</u>	<u>\$ 214,046</u>

ENVIRONMENT COUNCIL OF ALBERTA
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Net loss for the year	\$(122,437)	\$(122,017)
Non-cash items:		
(Decrease) increase in pension liability	(116,000)	4,000
Amortization	54,775	52,203
Loss on disposal of office equipment	328	421
	<u>(183,334)</u>	<u>(65,393)</u>
Decrease in accounts receivable	1,685	15,763
Increase in amount due from the General Revenue Fund	(180,397)	(15,400)
Decrease in prepaid expenses	3,589	3,325
Increase (decrease) in accounts payable	103,880	(14,864)
	<u>(254,577)</u>	<u>(76,569)</u>
Investing activities:		
Purchases of capital assets	(30,299)	(17,482)
Decrease in cash for the year	<u>(284,876)</u>	<u>(94,051)</u>
Cash at beginning of year	426,567	520,618
Cash at end of year	<u>\$ 141,691</u>	<u>\$ 426,567</u>

ENVIRONMENT COUNCIL OF ALBERTA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Environment Council of Alberta (the "Council") operates under the authority of the Environment Council Act, Chapter E-13, Revised Statutes of Alberta 1980.

The Environmental Protection Statutes Repeal Act, which received Royal Assent on May 1, 1995, winds down the Environment Council of Alberta. Once proclaimed, all assets and liabilities of the Environment Council of Alberta will be transferred into the General Revenue Fund of the Province of Alberta.

The Council advises the Minister of Environmental Protection on matters pertaining to environment conservation.

Note 2 Significant Accounting Policy

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets on the straight-line method at a rate of 33 1/3% for computer equipment and software and 10% for other office equipment.

Pension Liability and Expenditure

The Council's pension liability is its portion of the pension plan's total unfunded pension liability, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portion is based upon the ratio of pensionable earnings of the Council's employees to the earnings of all employees in the pension plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the plan.

Pension expenditure includes pension obligations earned by employees during the year, interest on the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. Pension expenditure is included in salaries and benefits expenditure.

Note 3 Capital Assets

	1995			1994	
	Cost	Accumulated Amortization	Net	Net	
Office equipment	<u>\$259,158</u>	<u>\$204,201</u>	<u>\$ 54,957</u>	<u>\$ 79,761</u>	

Note 4 Correction of Prior Year Error

The 1994 figures have been restated to correct an error in the pension liability recorded at March 31, 1994. As a result of the correction, the March 31, 1994 pension liability has decreased by \$290,000, the surplus at April 1, 1993 has increased by \$284,000 and salaries and benefits expenditure for the year ended March 31, 1994 has decreased by \$6,000.

Note 5 Pension Liability

The Council participates with other employers in two defined benefit pension plans. The Public Service Pension Plan and the Management Employees Pension Plan provide pensions for the Council's employees based on length of service and earnings.

The Council's unfunded pension liability for each plan is as follows:

	<u>1995</u>	<u>1994</u>
Public Service Pension Plan	\$ 23,500	\$ 41,000
Management Employees Pension Plan	<u>43,500</u>	<u>142,000</u>
	<u>\$ 67,000</u>	<u>\$183,000</u>

The total unfunded pension liabilities are based on a December 31, 1993 actuarial valuation for the Public Service Pension Plan and a December 31, 1994 actuarial valuation for the Management Employees Pension Plan, extrapolated to March 31, 1995, and represents the pension liabilities for employees who transferred to the Department of Environmental Protection on April 1, 1995. The 1994 comparative figure was based on an extrapolation of a December 31, 1991 actuarial valuation.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers.

Note 6 Related Party Transactions

Interest earned on cash balances of \$19,524 (1994 \$26,452) is credited to the General Revenue Fund, and is not reflected in these financial statements.

The cost of office furniture and accommodation expenses incurred in the administration of the Council is borne by the General Revenue Fund and is not reflected in these financial statements.

Note 7 Budget

The 1995 budget was approved by management on May 17, 1994 and is presented for comparison with the 1995 actual figures.

Note 8 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 9 Approval of Financial Statements

These financial statements were approved by management.

Schedule 1

ENVIRONMENT COUNCIL OF ALBERTA
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salaries ⁽¹⁾	Benefits ⁽²⁾	Total	Number of Individuals	Total
Management Team:						
Chief Executive Officer ⁽³⁾	1	\$ 71,940	\$ 11,831	\$ 83,771	1	\$ 99,021
Executive Director, Strategic Services ⁽³⁾	—	—	—	—	1	48,560
Director, Finance and Administration ⁽⁴⁾	1	52,284	15,579	67,863	1	43,683
Director, Communication Services ⁽⁵⁾	—	3,698	620	4,318	1	27,701
Executive Assistant to the C.E.O. ⁽⁶⁾	1	33,475	4,885	38,360	1	21,185
Total Management Team		<u>161,397</u>	<u>32,915</u>	<u>194,312</u>		<u>240,150</u>
Full-time staff:						
Other managers (average 1995 \$70,730, 1994 \$69,711)	3 ⁽⁷⁾	158,372	18,455	176,827	3	209,132
Other full-time staff (average 1995 \$39,938, 1994 \$40,270)	12	406,628	72,635	479,263	12	483,242
Total full-time staff		<u>565,000</u>	<u>91,090</u>	<u>656,090</u>		<u>692,374</u>
		<u>\$726,397</u>	<u>\$124,005</u>	<u>\$850,402</u>		<u>\$932,524</u>

(1) Salaries include regular base pay and overtime.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and vacation payouts.

(3) The Chief Executive Officer position was vacated at October 31, 1993. The Executive Director, Strategic Services became Acting Chief Executive Officer effective November 1, 1993. An allowance in lieu of vehicle was included in benefits for the Chief Executive Officer position until November 1, 1993.

(4) The Director, Finance and Administration was on maternity leave from March 17, 1993 until August 12, 1993.

(5) The Director, Communication Services position was vacated May 1, 1994.

(6) The Executive Assistant to the C.E.O. position was vacant from July 1, 1993 to March 31, 1994.

(7) Three manager positions seconded to the Council, one for the full year, one for seven months and one for eleven months. Number of full-time equivalents is 2.5.

	1995	1994
Total salaries and benefits as above	\$ 850,402	\$ 932,524
Worker's Compensation payments	2,076	2,833
Severance payout	160,815	84,449
Decrease (increase) in pension liability	(116,000)	4,000
Accrued vacation pay adjustment	(25,093)	(20,462)
Salaries and benefits on statement of revenue, expenditure and surplus	<u>\$ 872,200</u>	<u>\$1,003,344</u>

NATURAL RESOURCES CONSERVATION BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Operating Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Natural Resources Conservation Board

I have audited the balance sheet of the Natural Resources Conservation Board as at March 31, 1995 and the statements of revenue, expenditure and operating surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

NATURAL RESOURCES CONSERVATION BOARD
BALANCE SHEET
MARCH 31, 1995

	1995	1994
ASSETS		
Current		
Cash	\$ 901,198	\$ 911,938
Accounts receivable	32,809	26,132
	<u>934,007</u>	<u>938,070</u>
Capital assets (Note 4)	170,988	198,954
	<u>\$1,104,995</u>	<u>\$1,137,024</u>
LIABILITIES AND OPERATING SURPLUS		
Current		
Accounts payable	\$ 61,899	\$ 100,778
Pension liability (Notes 3 and 7)	59,858	57,998
Operating surplus	983,238	978,248
	<u>\$1,104,995</u>	<u>\$1,137,024</u>

The accompanying notes are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF REVENUE, EXPENDITURE AND OPERATING SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 5)	Actual	Actual
Revenue			
Grants from the General Revenue Fund	\$1,505,000	\$1,115,000	\$ 853,429
Interest	50,000	81,765	76,654
Other	2,000	47,155	2,328
	<u>1,557,000</u>	<u>1,243,920</u>	<u>932,411</u>
Expenditure			
Salaries and employee benefits (Notes 3 and 6)	902,500	828,796	1,009,445
Consulting and professional fees	320,000	163,132	132,011
Transcripts and office	195,250	126,649	107,171
Travel and automobile	130,000	46,714	64,212
Amortization of capital assets	40,205	38,240	40,501
Advertising	11,800	13,232	6,484
Technical proficiency and training	9,600	10,486	12,509
Rent	8,000	4,416	3,544
Postage, freight and courier	3,800	3,996	3,307
Telephone	10,200	3,175	7,888
Hosting and promotion	1,750	53	2,774
Relocation costs	—	—	106,513
Miscellaneous	2,100	41	941
	<u>1,635,205</u>	<u>1,238,930</u>	<u>1,497,300</u>
Operating surplus (deficit) for the year (Note 3)	<u>\$ (78,205)</u>	4,990	(564,889)
Operating surplus at beginning of year		978,248	1,543,137
Operating surplus at end of year		<u>\$ 983,238</u>	<u>\$ 978,248</u>

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Cash provided by (used in)		
Operating activities		
Operating surplus (deficit)	\$ 4,990	\$ (564,889)
Non-cash expenditure:		
Amortization	38,240	40,501
Assumption of pension liability	—	57,998
Increase in pension liability	1,860	—
Loss on sale of capital asset	—	174
	<u>45,090</u>	<u>(466,216)</u>
Change in non-cash working capital		
Accounts receivable	(6,677)	14,376
Accounts payable	<u>(38,879)</u>	<u>(3,047)</u>
	(466)	(454,887)
Investing activities		
Acquisitions of capital assets	(10,274)	(56,683)
Proceeds from sale of capital asset	—	200
Net decrease in cash	<u>(10,740)</u>	<u>(511,370)</u>
Cash at beginning of year	911,938	1,423,308
Cash at end of year	<u>\$ 901,198</u>	<u>\$ 911,938</u>

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Natural Resources Conservation Board (the "Board") operates under the authority of the Natural Resources Conservation Board Act, chapter N-5.5, Statutes of Alberta 1990, which was proclaimed June 3, 1991, to provide for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles.

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer hardware	- 20%	declining balance
Computer software	- 100%	straight-line
Office equipment	- 20%	declining balance
Office furniture	- 20%	declining balance

(b) Pension Liability

The Board participates in a defined benefit pension plan and a defined contribution pension plan. The Board's pension liability is its portion of the defined benefit pension plan's total unfunded pension liability, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portion of the unfunded liability is based on the ratio of pensionable earnings of the Board's employee, who is a member of this plan, to the earnings of all employees in the pension plan. The ratio is adjusted annually based on the previous year's pensionable earnings of all employees in the plan.

Note 3 Change in Accounting Policy

A liability has been recorded retroactively to reflect the portion of unfunded pension liability which the Board has agreed to fund under the Management Employees Pension Plan. As a result, the salaries and employee benefits expenditure increased, and operating surplus for the year decreased, by \$1,860 (1994 salaries and employee benefits expenditure and operating deficit for the year increased by \$57,998). The liability was incurred by the Board with the commencement of the Chairman's employment on May 12, 1993.

Note 4 Capital Assets

	1995			1994
	Cost	Accumulated Amortization	Net	Net
Computer hardware	\$149,640	\$ 63,569	\$ 86,071	\$ 98,931
Computer software	32,933	28,883	4,050	1,085
Office equipment	27,288	12,304	14,984	18,333
Office furniture	117,080	51,197	65,883	80,605
	<u>\$326,941</u>	<u>\$155,953</u>	<u>\$170,988</u>	<u>\$198,954</u>

Note 5 Budget

The 1994-95 budget was approved by the Board on June 1, 1994.

Note 6 Salaries and Benefits

	1995				1994	
	Number of Individuals	Salary ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals	Total
Chairman of the Board ⁽³⁾	1	\$ 95,349	\$ 15,035	\$ 110,384	1	\$ 104,514
Vice Chairman ⁽⁴⁾	—	—	—	—	1	70,118
Board member	1	76,292	11,842	88,134	1	90,972
Executive Manager, Operations	1	80,108	14,867	94,975	1	101,252
Solicitor	1	73,098	14,815	87,913	1	91,459
Other managers (average 1995 \$73,530, 1994 \$74,754)	4	239,929	54,189	294,118	4	299,018
Other full-time staff (average 1995 \$35,460, 1994 \$39,357)	3	93,293	13,087	106,380	3	118,070
		658,069	123,835	781,904		875,403
Acting Board members ⁽⁵⁾	1	46,833	—	46,833	2	81,070
Non-salaried staff ⁽⁶⁾		5,434	—	5,434		—
Miscellaneous adjustments ⁽⁷⁾		—	5,111	5,111		65,481
		<u>\$ 710,336</u>	<u>\$ 128,946</u>	<u>\$ 839,282⁽⁸⁾</u>		<u>\$1,021,954</u>

⁽¹⁾ Salary includes regular base pay, lump sum payments and other direct cash remuneration.

⁽²⁾ The Board's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan and Board pension contributions, Unemployment Insurance Commission contributions, supplementary medical coverage, dental coverage, 24 hour medical benefits, group life insurance, accidental death and dismemberment insurance, long-term disability plan premiums, professional memberships, course fees, and vacation pay payouts paid to the Chairman, Executive Manager, Operations, the Solicitor and other managers. The Board is a participant in the Alberta Energy and Utilities Board medical, dental and life insurance benefit plans.

⁽³⁾ The current Chairman of the Board commenced his term of duty on May 12, 1993. An automobile was provided with no amount included in the benefits and allowances figure.

⁽⁴⁾ The Vice Chairman of the Board resigned effective August 31, 1993. An automobile was provided with no amount included in the benefits and allowances figure. The position is currently vacant pending the appointment of a new Vice Chairman.

⁽⁵⁾ Acting Board members are paid on the basis of contractual arrangements.

⁽⁶⁾ Non-salaried staff include temporary assistance, remunerated on an hourly basis.

⁽⁷⁾ Miscellaneous adjustments include Workers' Compensation Board fees, increase in the unfunded pension liability, pension fund administration fees and conference fees and expenses. The 1994 amount has been restated to include the total amount of the unfunded pension liability assumed by the Board upon the hiring of the new Chairman (\$57,998).

⁽⁸⁾ The total amount represents the cumulative total of salaries and employee benefits \$828,796 and Technical proficiency and training \$10,486.

Note 7 Pension Liability

All eligible employees of the Board, except the Chairman, are members of a defined contribution pension plan administered by the Board and managed by Mutual Life of Canada.

The Chairman is a member of the Management Employees Pension Plan which is a defined benefit plan. The pension liability of the Board as at March 31, 1995, under this plan was estimated at \$59,858 (1994 \$57,998). This liability is to be eliminated on or before December 31, 2043.

The total unfunded pension liability for this plan was determined by an actuarial valuation as at December 31, 1994, and extrapolated to March 31, 1995. The 1994 comparative amount was also based on this actuarial valuation.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers.

Note 8 Related Party Transactions

In addition to the grants received from the General Revenue Fund, the Board incurred expenditures of \$18,276 (1994 \$27,972) for goods and services provided by other government departments and agencies.

Note 9 Approval of Financial Statements

These financial statements were approved by the Board.

TIRE RECYCLING MANAGEMENT BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the Tire Recycling Management Board

I have audited the balance sheet of the Tire Recycling Management Board as at March 31, 1995 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

TIRE RECYCLING MANAGEMENT BOARD
BALANCE SHEET
AS AT MARCH 31, 1995

		ASSETS	
		1995	1994
Current:			
Cash		\$16,000,921	\$ 9,117,204
Accounts receivable and prepayments (Note 5)		<u>1,172,345</u>	<u>1,339,772</u>
		17,173,266	10,456,976
Capital (Note 3)		<u>61,051</u>	<u>71,850</u>
		<u>\$17,234,317</u>	<u>\$10,528,826</u>
LIABILITIES, PROCESSING RESERVE AND SURPLUS			
Current:			
Payable to recyclers	\$	179,944	\$ 479,279
Accounts payable		<u>123,976</u>	<u>74,669</u>
		303,920	553,948
Processing reserve (Note 4)		16,730,397	9,774,878
Surplus		<u>200,000</u>	<u>200,000</u>
		<u>\$17,234,317</u>	<u>\$10,528,826</u>
The accompanying notes are part of these financial statements.			

TIRE RECYCLING MANAGEMENT BOARD
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 9)	Actual	Actual
Revenue:			
Advance disposal surcharges (Note 5)	\$8,200,000	\$8,789,644	\$8,519,076
Interest	<u>300,000</u>	<u>759,365</u>	<u>291,291</u>
	<u>8,500,000</u>	<u>9,549,009</u>	<u>8,810,367</u>
Expenditure:			
Program:			
Payments to recyclers (Note 7)	4,490,000	1,362,271	1,211,404
Collection costs	250,000	244,563	144,208
Recycling development (Note 7)	<u>990,000</u>	<u>49,260</u>	<u>45,239</u>
	<u>5,730,000</u>	<u>1,656,094</u>	<u>1,400,851</u>
Administration:			
Contracted services (Note 6)	206,000	204,064	171,642
Developmental consulting services	169,000	202,892	265,166
Board expenses (Note 6)	122,000	191,193	114,109
Legal services	100,000	115,483	175,636
Office support	99,000	87,620	80,839
Communication services	90,000	83,914	99,378
Amortization	—	21,956	26,660
Audit	—	20,000	—
Bad debts	—	<u>10,274</u>	<u>687</u>
	<u>786,000</u>	<u>937,396</u>	<u>934,117</u>
Total expenditure	<u>6,516,000</u>	<u>2,593,490</u>	<u>2,334,968</u>
Excess of revenue over expenditure	<u>\$1,984,000</u>	<u>6,955,519</u>	<u>6,475,399</u>
Surplus at beginning of year		<u>200,000</u>	<u>3,499,479</u>
		7,155,519	9,974,878
Transfer to processing reserve (Note 4)		<u>6,955,519</u>	<u>9,774,878</u>
Surplus at end of year		<u>\$ 200,000</u>	<u>\$ 200,000</u>

TIRE RECYCLING MANAGEMENT BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Excess of revenue over expenditure	\$ 6,955,519	\$ 6,475,399
Non-cash charges:		
Amortization	21,956	26,660
Bad debts	10,274	687
	<u>6,987,749</u>	<u>6,502,746</u>
Decrease (increase) in accounts receivable and prepaid amounts	157,153	(198,335)
(Decrease) increase in payable to recyclers	(299,335)	456,829
Increase (decrease) in accounts payable	49,307	(110,091)
	<u>6,894,874</u>	<u>6,651,149</u>
Investments:		
Acquisition of capital assets	(11,157)	(14,322)
Increase in cash	6,883,717	6,636,827
Cash at beginning of year	9,117,204	2,480,377
Cash at end of year	<u>\$16,000,921</u>	<u>\$ 9,117,204</u>

TIRE RECYCLING MANAGEMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Tire Recycling Management Board (the "Board") operates under the authority of the Environmental Protection and Enhancement Act, Chapter E-13.3, Statutes of Alberta, 1992, pursuant to the Tire Recycling and Management Regulation, Alberta Regulation 249/92, as amended.

The purpose of the Board is to administer the Tire Recycling and Management Fund to provide for the effective, efficient and economical waste minimization and recycling of scrap tires in accordance with sound environmental principles.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates:

Furniture and fixtures	20%
Computer equipment and software	30%

Note 3 Capital Assets

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	\$101,105	\$ 52,377	\$ 48,728	\$ 61,300
Furniture and fixtures	16,538	4,215	12,323	10,550
	<u>\$117,643</u>	<u>\$ 56,592</u>	<u>\$ 61,051</u>	<u>\$ 71,850</u>

Note 4 Processing Reserve

The processing reserve is to fund future scrap tire management activities such as payments for processing and development costs. The majority of the excess of revenue over expenditure each year is allocated to the processing reserve to ensure that the original purpose for which the advance disposal surcharge revenue was collected is maintained. The Board is committed to ensuring that all tires on which the surcharge has been collected are processed when they enter the scrap tire stream. As well, the processing of a portion of scrap tire stockpiles in existence before September 1992 will be funded by the processing reserve.

Note 5 Collection of Advance Disposal Surcharges

The legislation requires the Province's tire retailers, including automotive dealerships, to remit to the Board an advance disposal surcharge on each tire sold. To determine whether tire retailers are remitting the surcharge as required by legislation, the Board performs compliance reviews of the records of a selection of retailers. Based on these reviews, management estimates that retailers did not report and remit surcharges during the year ended March 31, 1995 of about \$365,000 (1994 \$365,000). This represents approximately 4% (1994 4%) of surcharges collectible. In management's view, the cost of identifying and collecting most or all of this unreported surcharge would exceed the additional amount that would be collected.

Included in accounts receivable and prepayments is an amount of \$345,107 (1994 \$421,364) being management's estimate of advance disposal surcharges collected by retailers but not reported to the Board by the date that these financial statements were finalized. The estimate is a product of average monthly remittance and the number of months not reported, discounted for uncollectible amounts. The actual amount ultimately collected could be significantly greater or less than the amount estimated.

Note 6 Compensation

	1995				1994	
	Number of Individuals	Salary	Benefits ⁽²⁾	Total	Number of Individuals	Total
Board compensation ⁽¹⁾						
Chairman of the Board	1	\$ 16,605	\$ 435	\$ 17,040	1	\$ 20,378
Board members	9	97,554	2,410	99,964	9	52,382
		<u>\$114,159</u>	<u>\$ 2,845</u>	<u>117,004</u>		<u>72,760</u>
				Salary and Benefit Equivalent		Salary and Benefit Equivalent
Contracted services ⁽³⁾						
Executive Director	1			85,140	1	85,135
Chief Financial Officer	1			75,000	1	75,000
Other full-time staff	4			143,924	3	111,507
				<u>304,064</u>		<u>271,642</u>
				<u>\$421,068</u>		<u>\$344,402</u>

⁽¹⁾ In 1993-94 the Board was comprised of one Chairman and three Board members up to July 31, 1993 at which time the Board changed to one Chairman and nine Board members for the remainder of the fiscal year. As an employee of the Province, one Board member did not receive compensation. The Board expenses figure shown on the statement of revenue, expenditure and surplus includes the \$117,004 as reported above, together with reimbursements for travel expenses and other Board meeting expenses.

⁽²⁾ Benefits consist of the Board's Canada Pension Plan contribution.

⁽³⁾ All services provided to the Board related to compensation are under short-term contracts for services. The \$304,064, as reported above, is included in the statement of revenue, expenditure and surplus under Contracted services of \$204,064 plus \$100,000 allocated to the \$244,563 of Collection costs. The allocation represents the estimated direct financial service costs relating to the collection of the Advance disposal surcharges.

Note 7 Commitments

In March 1994, the Board entered into a five-year contract with a private sector company, Alberta Environmental Rubber Products Inc. (AERPI). The contract was subsequently amended to entitle AERPI to process 6,500 tonnes per year of scrap medium truck tires only, collected from throughout Alberta, based on a processing fee of \$250 per tonne of scrap tires processed and sold as a recycled rubber crumb or product.

In January 1995, the Board entered into a 14 month agreement with AERPI to process 3,500 tonnes per year of scrap passenger and light truck tires based on a processing fee of \$250 per tonne of scrap tires processed and sold as a recycled rubber crumb or \$215 per tonne of scrap tires processed and sold as recycled rubber shred, from scrap tires originating in part of Alberta as outlined in the agreement.

Effective March 1995, the Board entered into a month to month agreement with AERPI to accept delivery of scrap tires originating within the City of Edmonton and a 150 km radius around Edmonton in accordance with the terms and conditions of the previous agreement which commenced January 1995.

In September 1994, the Board entered into a five and a half year agreement with a private sector company, Inland Cement Limited, to process 6,250 tonnes of scrap passenger and light truck tires, for the first agreement year, based on a processing fee of \$223.25 per tonne of scrap tire for the purpose of scrap tire waste minimization and recycling including the use of scrap tires as fuel. The Board has entered into discussions with Inland Cement Limited with respect to the reduction of the number of tonnes of tires covered by this agreement.

In September 1994, the Board announced a Recycling Opportunity Program and committed \$1 million annually over three years for a series of support programs designed to increase the commercial possibilities and competitiveness of Alberta's emerging tire recycling industry.

In December 1994, the Board also announced a Recycling Industry Incentives Program and committed \$10 million over a three year period for a per-tire incentive to Alberta businesses which process and sell recycled rubber products.

Note 8 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 9 Budget

The 1995 budget was approved by the Board on March 9, 1994 and is presented for comparison with the 1995 actual figures.

Note 10 Approval of Financial Statements

These financial statements were approved by the Board.

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Fund Balances (Deficiency)
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the Alberta
Alcohol and Drug Abuse Commission

I have audited the balance sheet of the Alberta Alcohol and Drug Abuse Commission as at March 31, 1995 and the statements of revenue, expenditure and fund balances (deficiency) and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 31, 1995

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash	\$ 740,301	\$ 906,513
Accounts receivable	196,533	141,492
Inventory	249,795	311,982
	<u>1,186,629</u>	<u>1,359,987</u>
Capital assets (Note 3)	718,276	873,609
	<u>\$ 1,904,905</u>	<u>\$ 2,233,596</u>
LIABILITIES AND EQUITY (DEFICIENCY)		
Current liabilities:		
Accrued vacation pay	\$ 1,506,009	\$ 1,659,708
Accounts payable	622,300	561,351
Deferred revenue	207,931	113,853
	<u>2,336,240</u>	<u>2,334,912</u>
Pension liability (Note 4)	<u>2,462,000</u>	<u>2,206,000</u>
Equity (deficiency):		
Operating fund deficiency	(2,939,834)	(2,367,254)
Special purpose fund balances (Note 5)	46,499	59,938
	<u>(2,893,335)</u>	<u>(2,307,316)</u>
	<u>\$ 1,904,905</u>	<u>\$ 2,233,596</u>
The accompanying notes are part of these financial statements.		

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCES (DEFICIENCY)
FOR THE YEAR ENDED MARCH 31, 1995

	1995			1994	
	Operating Fund		Special Purpose Funds	Total	Total
	Budget (Note 8)	Actual	Actual	Actual	Actual
Revenue:					
Contributions from the General Revenue Fund (Note 6)	\$26,865,000	\$26,865,000	\$ —	\$26,865,000	\$28,406,000
Contribution from the Lottery Fund	820,000	697,746	—	697,746	115,031
Client fees	400,000	456,388	—	456,388	194,275
Seminar fees	34,000	149,228	—	149,228	77,027
Publications	40,000	95,350	—	95,350	37,123
Grants	—	80,497	—	80,497	100,152
Donations	—	18,272	3,059	21,331	7,182
Miscellaneous	69,000	60,208	3,853	64,061	59,371
	<u>28,228,000</u>	<u>28,422,689</u>	<u>6,912</u>	<u>28,429,601</u>	<u>28,996,161</u>
Expenditure:					
Manpower (Note 7):					
Salaries	13,805,202	13,781,889	—	13,781,889	14,329,797
Employer contributions	2,203,035	2,398,046	—	2,398,046	2,390,623
Wages	1,028,366	1,346,119	—	1,346,119	1,327,137
Allowances and benefits	78,065	85,533	—	85,533	81,136
Additional pension expenses (Note 4)	—	256,000	—	256,000	61,000
	<u>17,114,668</u>	<u>17,867,587</u>	<u>—</u>	<u>17,867,587</u>	<u>18,189,693</u>
Grants:					
Direct financial assistance to agencies	7,143,923	7,143,923	—	7,143,923	7,540,737
Other:					
Professional, technical and labour services	2,487,762	2,043,661	12,255	2,055,916	1,916,287
Materials and supplies	565,726	610,352	3,796	614,148	723,977
Travel and relocation	398,404	455,167	132	455,299	416,700
Amortization	—	319,264	—	319,264	261,868
Rental of equipment	192,827	141,602	—	141,602	146,240
Voluntary separation payments	—	140,865	—	140,865	67,673
Freight and postage	91,952	70,680	—	70,680	98,652
Bad debts	—	40,845	—	40,845	—
Advertising	38,648	33,114	—	33,114	19,011
Telephone and communications	54,787	30,976	—	30,976	40,996
Repairs and maintenance of equipment	85,354	30,336	—	30,336	40,984
Insurance	31,604	26,543	—	26,543	25,589
Board members' fees (Note 7)	25,100	25,454	—	25,454	22,409
Hosting	14,289	11,603	—	11,603	6,102
Loss on disposal of capital assets	—	1,300	—	1,300	4,278
Other services	9,489	6,165	—	6,165	8,740
	<u>3,995,942</u>	<u>3,987,927</u>	<u>16,183</u>	<u>4,004,110</u>	<u>3,799,506</u>
	<u>28,254,533</u>	<u>28,999,437</u>	<u>16,183</u>	<u>29,015,620</u>	<u>29,529,936</u>
Deficiency of revenue over expenditure	<u>\$ (26,533)</u>	(576,748)	(9,271)	(586,019)	(533,775)
Inter-fund transfer	—	4,168	(4,168)	—	—
Decrease in fund balances during year	—	(572,580)	(13,439)	(586,019)	(533,775)
Fund balances (deficiency) at beginning of year	—	(2,367,254)	59,938	(2,307,316)	(1,773,541)
Fund balances (deficiency) at end of year	—	<u>\$ (2,939,834)</u>	<u>\$ 46,499</u>	<u>\$ (2,893,335)</u>	<u>\$ (2,307,316)</u>

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Operating activities:		
Deficiency of revenue over expenditure for the year	\$ (586,019)	\$ (533,775)
Add non-cash charges:		
Amortization of capital assets	319,264	261,868
Loss on disposal of capital assets	1,300	4,278
Increase in pension liability	256,000	61,000
	<u>(9,455)</u>	<u>(206,629)</u>
Decrease (increase) in non-cash working capital	8,474	(267,673)
Cash used in operating activities	<u>(981)</u>	<u>(474,302)</u>
Investing activities:		
Acquisition of capital assets	(168,594)	(168,753)
Proceeds on disposal of capital assets	3,363	19,296
Cash used in investing activities	<u>(165,231)</u>	<u>(149,457)</u>
Decrease in cash	(166,212)	(623,759)
Cash at beginning of year	906,513	1,530,272
Cash at end of year	<u>\$ 740,301</u>	<u>\$ 906,513</u>

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Alcohol and Drug Abuse Commission operates as an agent of the Crown under the authority of the Alcohol and Drug Abuse Act, Chapter A-38, Revised Statutes of Alberta 1980, as amended. The Commission is dependent on grants from the Province of Alberta for funding its programs and for meeting its obligations as they become due.

The Commission's purpose is to assist Albertans in achieving a life free from the abuse of alcohol, other drugs and gambling. The Commission does this by providing community-based information, prevention and treatment services.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue and Expenditure

Transactions are grouped, for reporting purposes, into funds in accordance with specified activities or objectives. These funds are described as follows:

The operating fund accounts for revenue and expenditure associated with the primary activities of the Commission.

The special purpose funds account for revenue with external restrictions that it only be used to supplement the work of the Commission in the areas of research and education and to acquire capital assets.

(b) Inventory

Inventory is valued at the lower of cost or net realizable value.

(c) Capital Assets

Capital assets are recorded at cost net of accumulated amortization. Amortization is provided over the estimated useful lives of the assets as follows:

Furniture and equipment	- 10 years straight-line
Computer equipment and software	- 5 years straight-line
Books, films and tapes	- on acquisition

(d) Pension Liability and Expenditure

The Commission's pension liability is its portion of the total unfunded pension liabilities of the pension plans, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified during new actuarial valuations.

The Commission's portion is based upon the ratio of the pensionable earnings of its employees to the earnings of all employees in the pension plans. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the plans.

Pension expenditure includes pension benefits earned by employees during the year, interest on unfunded pension liabilities, amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the changes in the ratios used to allocate the total unfunded liabilities of the plans to participating entities.

Note 3 Capital Assets

Capital assets consist of the following:

	1995			1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$1,596,539	\$1,238,191	\$ 358,348	\$ 451,838
Computer equipment and software	1,365,795	1,005,867	359,928	421,771
Books, films and tapes	491,161	491,161	—	—
	<u>\$3,453,495</u>	<u>\$2,735,219</u>	<u>\$ 718,276</u>	<u>\$ 873,609</u>

Note 4 Pension Liability

The Commission participates with other employers in the Public Service Pension Plan and the Management Employees Pension Plan. These plans provide pensions for the Commission's employees based on their years of service and earnings.

The pension liability of the Commission for the plans consists of the following estimated amounts:

	1995	1994
Public Service Pension Plan	\$1,349,000	\$1,192,000
Management Employees Pension Plan	1,113,000	1,014,000
	<u>\$2,462,000</u>	<u>\$2,206,000</u>

This liability is to be eliminated on or before December 31, 2036 for the Public Service Pension Plan, and on or before December 31, 2043 for the Management Employees Pension Plan.

The total unfunded pension liabilities for the plans was determined by extrapolation to March 31, 1995 of actuarial valuations as at December 31, 1993 for the Public Service Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan. The 1994 total unfunded pension liabilities for the plans was determined by extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis for determining the amount of the total unfunded liability for each plan which will be funded by employers.

Note 5 Special Purpose Funds

Special purpose funds consist of the following:

	1995	1994
Memorial Trust Fund	\$46,499	\$55,770
Patients' Benevolent Fund	—	4,168
	<u>\$46,499</u>	<u>\$59,938</u>

Note 6 Contributions from the General Revenue Fund

The Province of Alberta recovers part of its contributions to the Commission from the Government of Canada under the Vocational Rehabilitation of Disabled Persons and Alcohol and Drug Treatment and Rehabilitation agreements. Amounts recovered are included in revenue of the General Revenue Fund, Departments of Health, and Family and Social Services. Claims relating to the Commission's activities for the years ended March 31, 1995 and March 31, 1994 amount to \$13,613,691 and \$10,230,919 respectively.

Note 7 Salaries, Wages and Benefits

	1995				1994	
	Number of Individuals	Salaries and Wages ^(a)	Benefits ^(b)	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 15,000	\$ 123	\$ 15,123	1	\$ 13,278
Other Board members	9	10,331	—	10,331	5	9,131
Board members' fees	10	25,331	123	25,454	6	22,409
Chief Executive Officer ^(c)	1	65,217	13,346	78,563	1	87,259
Executive Director, Program Services	1	85,604	14,238	99,842	1	105,432
Divisional Directors:						
Institutions and Funded Agencies	1	69,232	12,474	81,706	1	84,717
Human Resources	1	68,361	12,269	80,630	1	85,363
Southern Alberta Field Services	1	59,922	16,607	76,529	1	74,940
Central Alberta Field Services ^(d)	2	57,044	19,439	76,483	1	74,790
Information and Program Development Services ^(d)	2	61,392	12,547	73,939	1	68,386
Northern Alberta Field Services	1	56,449	10,943	67,392	1	69,661
Finance and Administration	1	53,731	10,618	64,349	1	65,062
Other managers (average 1995 \$60,258, 1994 \$62,970)	24	1,193,066	253,126	1,446,192	26	1,637,213
Other salaried staff (average 1995 \$41,223, 1994 \$40,668)	344	12,088,456	2,092,204	14,180,660	358	14,559,284
Non-salaried staff		1,346,119	92,882	1,439,001		1,409,418
		15,204,593	2,560,693	17,765,286		18,321,525
Adjustments:						
Reduction in accrued vacation pay		(153,699)	—	(153,699)		(192,832)
Increase in pension liability		—	256,000	256,000		61,000
Manpower expenditure		15,050,894	2,816,693	17,867,587		18,189,693
		<u>\$15,076,225</u>	<u>\$ 2,816,816</u>	<u>\$17,893,041</u>		<u>\$18,212,102</u>

(a) Salaries and wages include regular pay, overtime, lump sum payments and any other direct cash remuneration.

(b) Benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, tuition fees, conference fees, professional memberships and vacation payouts.

(c) The Chief Executive Officer was on leave for the equivalent of three months in 1995 (four months in 1994). The benefits figure does not include an amount for the automobile provided to the Chief Executive Officer.

(d) This position was occupied by two Directors during the 1995 fiscal year.

Note 8 Budget

The contributions from the General Revenue Fund, shown on the statement of revenue, expenditure and fund balances, agree with the 1994-95 Government Estimates. A detailed budget of revenues and expenditures, prepared by management on April 20, 1994, has been included in these financial statements for comparison with the actual figures.

Note 9 Administration Expenses

Accommodation and certain other administration expenses incurred in the administration of the Commission have not been included in the Commission's expenditure. These costs are incurred and recorded by the General Revenue Fund of the Province of Alberta.

Note 10 Interest on Cash Deposits

Interest of \$188,532, earned on certain operating fund cash balances deposited in the Consolidated Cash Investment Trust Fund, has been credited directly to the General Revenue Fund of the Province of Alberta.

Note 11 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 12 Approval of Financial Statements

These financial statements were approved by management.

THE WILD ROSE FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Accumulated Excess of Revenue Over Expenditure
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Special Initiatives Expenditure
Schedule of Administrative Expenditure
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Members of The Wild Rose Foundation

I have audited the balance sheet of The Wild Rose Foundation as at March 31, 1995 and the statements of revenue, expenditure and accumulated excess of revenue over expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 29, 1995

THE WILD ROSE FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash (Note 3)	\$1,604,561	\$2,250,959
Accounts receivable	142,145	1,195
Prepaid expenses	<u>22,773</u>	<u>13,076</u>
	1,769,479	2,265,230
Investment (Note 3)	6,500,000	6,500,000
Capital assets (Note 4)	<u>40,214</u>	<u>66,693</u>
	<u><u>\$8,309,693</u></u>	<u><u>\$8,831,923</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 63,283	\$ 44,410
Grants payable	301,004	—
Due to the Province of Alberta	<u>102,958</u>	<u>—</u>
	467,245	44,410
Pension liability (Note 5)	<u>44,000</u>	<u>36,000</u>
	511,245	80,410
Equity:		
Accumulated excess of revenue over expenditure (Note 6)	1,298,448	2,251,513
Endowment fund (Note 7)	<u>6,500,000</u>	<u>6,500,000</u>
	<u><u>\$8,309,693</u></u>	<u><u>\$8,831,923</u></u>
The accompanying notes and schedules are part of these financial statements.		

THE WILD ROSE FOUNDATION
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS OF
REVENUE OVER EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	<u>Budget</u>	<u>Actual</u>
	(Note 10)	<u>Actual</u>
REVENUE		
Lottery Fund of the Province of Alberta	\$6,600,000	\$6,600,000
Interest	<u>607,000</u>	<u>577,096</u>
	7,207,000	7,148,201
EXPENDITURE		
General grants (Note 8)	5,000,000	5,862,925
Less recoveries	<u>—</u>	<u>55,993</u>
	5,000,000	5,806,932
Special initiatives, Schedule 1	1,877,250	1,546,417
Administrative, Schedule 2	<u>786,965</u>	<u>776,812</u>
	7,664,215	7,686,748
Deficiency of revenue over expenditure for the year	(457,215)	(953,065)
Accumulated excess of revenue over expenditure at beginning of year	<u>2,852,353</u>	<u>2,251,513</u>
Accumulated excess of revenue over expenditure at end of year	<u><u>\$2,395,138</u></u>	<u><u>\$2,251,513</u></u>

THE WILD ROSE FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Operating activities:		
Deficiency of revenue over expenditure for the year	\$ (953,065)	\$ (538,547)
Add items not affecting cash:		
Amortization of capital assets	28,217	35,854
Loss (gain) on disposal of capital assets	(330)	537
Pension expense	8,000	1,000
	<u>(917,178)</u>	<u>(501,156)</u>
Changes in non-cash working capital balances relating to operations:		
Accounts receivable	(140,950)	(779)
Prepaid expenses	(9,697)	1,824
Grants payable	301,004	(1,403,171)
Accounts payable	18,873	30,388
Due to the Province of Alberta	102,958	—
Cash provided by (used in) operations	<u>(644,990)</u>	<u>(1,872,894)</u>
Investing activities:		
Purchase of capital assets	(1,738)	(43,039)
Proceeds from sale of capital assets	330	—
Cash used in investing activities	<u>(1,408)</u>	<u>(43,039)</u>
Increase (decrease) in cash	(646,398)	(1,915,933)
Cash at beginning of year	2,250,959	4,166,892
Cash at end of year	<u>\$ 1,604,561</u>	<u>\$ 2,250,959</u>

THE WILD ROSE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Wild Rose Foundation operates under the authority of the Wild Rose Foundation Act, Chapter W-7.8, Statutes of Alberta 1984, as amended.

The purposes of the Foundation are:

- (a) to provide funding to volunteer non-profit organizations that provide valuable services to Albertans;
- (b) to foster or promote the use of volunteers or to assist those who volunteer or use the services of volunteers in Alberta; and
- (c) to foster or promote charitable, philanthropic, humanitarian, or public spirited acts or to assist those who perform them.

Note 2 Significant Accounting Policies

(a) Grants

Liabilities are recorded for grants payable only when all conditions required to qualify for the grants have been met by the grant recipients.

The recovery of grants made in prior years is recorded in the year that the Foundation determines that a portion of grants previously made will be recovered.

(b) Amortization of Capital Assets

Amortization is recorded annually using the straight-line method over the useful lives of the assets as follows:

Furniture and equipment	- 15% of original cost
Computer equipment	- 40% of original cost
Leasehold improvements	- Over the term of the lease

(c) Pension

Expense

Pension costs comprise the cost of pension obligations earned by a Foundation employee during the year and interest on the portion of unfunded pension liabilities which the Foundation has agreed to fund.

Liabilities

Liabilities include the portion of unfunded pension liabilities for which the Foundation is responsible.

Note 3 Cash and Investment

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta (CCITF). Interest is earned on the daily balance in the Fund at the average rate of interest earned on Fund investments.

Investment also consists of deposits in CCITF. It represents deposits equivalent to the endowment fund balance. These deposits are restricted in accordance with the terms of the endowment.

Note 4 Capital Assets

	1995			1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$111,200	\$ 91,235	\$ 19,965	\$ 34,160
Computer equipment	45,833	38,224	7,609	15,431
Leasehold improvements	18,217	5,577	12,640	17,102
	<u>\$175,250</u>	<u>\$135,036</u>	<u>\$ 40,214</u>	<u>\$ 66,693</u>

Note 5 Pension Liability

The Foundation participates with other employers in the Management Employees Pension Plan. This Plan provides a pension for the Foundation's Executive Director based on years of service and earnings.

The Foundation's unfunded pension liability for the Plan as at March 31, 1995 is \$44,000 (1994 \$36,000).

The unfunded pension liability for the Plan was determined by actuarial valuation, as at December 31, 1994 extrapolated to March 31, 1995. The 1994 comparative amount was based on an extrapolation of a December 31, 1991 actuarial valuation.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for the Plan which will be funded by employers. The Foundation's portion of those employers' liabilities was based on the Foundation's percentage of the total pensionable payroll of all employers.

Note 6 Accumulated Excess of Revenue over Expenditure

The accumulated excess of revenue over expenditure comprises:

	1995	1994
Restricted funds	\$ 977,873	\$ 587,538
Unrestricted funds	<u>320,575</u>	<u>1,663,975</u>
	<u>\$1,298,448</u>	<u>\$2,251,513</u>

The restricted funds relate to a component of the grants from the Lottery Fund upon which there is a condition that the monies will be used to fund expenditures of the International Development Program. The balance comprises:

	1995	1994
Restricted funds at beginning of year	\$ 587,538	\$ —
Grants	1,600,000	1,600,000
Expenditure	<u>(1,209,665)</u>	<u>(1,012,462)</u>
Restricted funds at end of year	<u>\$ 977,873</u>	<u>\$ 587,538</u>

Note 7 Endowment Fund

The endowment fund is not available for use without authorization by the Minister. Interest earned on the endowment fund is recorded as revenue.

Note 8 General Grants

The purpose of general grants is to assist volunteer organizations with their operating and capital expenditure needs.

Amounts expended during the year comprise:

	1995	1994
Under \$10,001	\$ 230,943	\$ 244,877
\$10,001 to \$20,000	529,520	471,790
\$20,001 to \$30,000	1,144,534	854,683
\$30,001 to \$40,000	1,091,948	1,200,110
\$40,001 to \$50,000	<u>2,865,980</u>	<u>2,880,141</u>
	<u>\$5,862,925</u>	<u>\$5,651,601</u>

Note 9 Commitments

As at March 31, 1995, the Foundation had commitments of \$262,538 in respect of general grants approved subject to the fulfilment of certain conditions by the applicants.

Future payments under an operating lease for office accommodation are as follows:

1995-96	\$70,074
1996-97	70,074
1997-98	58,390

Note 10 Budget

The 1995 budget was approved by the Foundation on March 18, 1994.

Note 11 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 12 Approval of Financial Statements

These financial statements have been approved by management.

Schedule 1

THE WILD ROSE FOUNDATION SCHEDULE OF SPECIAL INITIATIVES EXPENDITURE FOR THE YEAR ENDED MARCH 31, 1995

	1995					1994	
	International Development Program	"Vitalize" Conference	"Volunteer Week" Program	International Year of the Family Program	International Exchange Program	Total	Total
Grant expenditure	\$1,223,357	\$ —	\$ 75,000	\$ —	\$ —	\$1,298,357	\$1,179,505
Conference meals	—	82,603	—	8,500	—	91,103	88,751
Advertising and promotion	1,937	21,032	2,081	3,405	6,125	34,580	50,413
Facility rental	—	20,714	—	—	—	20,714	24,283
Office supplies and services	3,495	8,013	132	13,796	2,546	27,982	58,211
Travel	5,821	15,527	166	2,485	59,177	83,176	30,469
Speaker fees	—	28,105	—	3,418	—	31,523	20,833
Advisory committee meetings	—	11,163	348	—	—	11,511	12,497
Transportation service	—	45,362	—	—	—	45,362	26,588
Hosting	1,782	5,075	338	184	6,494	13,873	8,058
Entertainment	—	5,361	—	—	—	5,361	4,179
Grant recoveries	(26,727)	—	—	(7,663)	—	(34,390)	(13,917)
Registration and banquet fees	—	(82,854)	—	—	—	(82,854)	(95,399)
	<u>\$1,209,665</u>	<u>\$ 160,101</u>	<u>\$ 78,065</u>	<u>\$ 24,125</u>	<u>\$ 74,342</u>	<u>1,546,298</u>	<u>1,394,471</u>
"IMAGINE" Campaign						119	136
						<u>\$1,546,417</u>	<u>\$1,394,607</u>

Schedule 2

THE WILD ROSE FOUNDATION
SCHEDULE OF ADMINISTRATIVE EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 10)	Actual	Actual
Personnel, Schedule 3	\$499,538	\$506,305	\$493,043
Occupancy	84,529	84,019	57,950
Members ⁽¹⁾	77,180	69,118	57,053
Office supplies and services	53,789	49,650	49,594
Amortization of capital assets	28,500	28,217	35,854
Staff travel	12,750	15,664	11,121
Advertising and publications	13,275	11,153	16,769
Hosting	6,450	6,636	5,448
Conferences and seminars	5,954	3,839	4,916
Consultants	5,000	2,541	700
Loss (gain) on disposal of capital assets	—	(330)	537
Cost of relocating office	—	—	5,362
	<u>\$786,965</u>	<u>\$776,812</u>	<u>\$738,347</u>

⁽¹⁾ Members' expenditure comprises:

	1995	1994
Honoraria, Schedule 3	\$35,508	\$31,114
Travel	28,274	17,975
Functions	3,181	3,539
Conferences and seminars	100	904
Other	2,055	3,521
	<u>\$69,118</u>	<u>\$57,053</u>

Schedule 3

THE WILD ROSE FOUNDATION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salary ^(a)	Benefits and Allowances ^(b)	Total	Number of Individuals	Total
Board ^(c) :						
Chairman of the Board	1.00	\$ 16,116	\$ —	\$ 16,116	1.00	\$ 11,923
Board members	6.00	19,392	—	19,392	6.00	19,191
		<u>\$ 35,508</u>	<u>\$ —</u>	<u>\$ 35,508</u>		<u>\$ 31,114</u>
Executive Director	1.00	\$ 75,072	\$ 15,466	\$ 90,538	1.00	\$ 92,699
Grants Program Manager ^(d)	1.00	52,935	12,245	65,180	0.22	17,519
Other permanent full-time staff (average 1995 \$40,657, 1994 \$40,269) ^(e)	6.08	197,293	49,902	247,195	7.28	293,155
Contract staff (average 1995 \$28,201, 1994 \$19,994)	3.24	84,664	6,708	91,372	2.83	56,584
Casual wage staff		3,087	—	3,087		8,365
		<u>\$413,051</u>	<u>\$ 84,321</u>	<u>497,372</u>		<u>468,322</u>
Increase in accrued vacation pay				933		23,721
Increase in pension liability				8,000		1,000
				<u>\$506,305</u>		<u>\$493,043</u>

^(a) Salary includes regular base pay, overtime, bonuses, and honoraria.

^(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical coverage, group life insurance, accidental death and dismemberment insurance, long and short-term disability insurance, Canada Pension Plan contributions, unemployment insurance premiums, staff development and vacation pay out.

^(c) The Minister responsible prescribes the rate of remuneration to be paid to the members of the Foundation for time spent on the business of the Foundation.

^(d) The Grants Program Manager was on maternity leave during a portion of the 1993-94 fiscal year.

^(e) Full-time staff consists of all individuals working 29 hours or more per week.

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Operating Equity
Statement of Equity in Property and Equipment
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Expenditure
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Directors of The Alberta Educational Communications Corporation and
the Members of The Alberta Educational Communications Authority

I have audited the balance sheet of The Alberta Educational Communications Corporation as at March 31, 1995 and the statements of revenue, expenditure and operating equity, equity in property and equipment and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 3 to the financial statements.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta

May 10, 1995 except as to Notes 12 and 14 which are as of August 15, 1995

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
BALANCE SHEET
MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
Current:		
Cash (Note 4)	\$4,057,986	\$1,431,517
Grant receivable (Note 5)	2,025,000	—
Accounts receivable	548,700	372,061
Prepaid expenses and deposits	11,770	236,459
Inventories	—	17,737
	<u>6,643,456</u>	<u>2,057,774</u>
Deferred program costs (Note 6)	1,093,473	1,776,619
Property and equipment held for disposal (Notes 2 and 7)	419,032	3,487,176
Long-term licences (Note 2)	—	51,106
	<u>\$8,155,961</u>	<u>\$7,372,675</u>
LIABILITIES AND EQUITY		
Current:		
Grant payable (Note 5)	\$2,025,000	\$ —
Payables and accruals	1,692,256	1,503,882
Obligations under capital leases (Notes 2 and 8)	171,626	153,320
Advances on co-productions	—	31,755
	<u>3,888,882</u>	<u>1,688,957</u>
Pension liability (Note 9)	682,000	991,000
Obligations under capital leases (Notes 2 and 8)	190,283	361,909
	<u>4,761,165</u>	<u>3,041,866</u>
Equity:		
Operating	3,337,673	843,633
In property and equipment	57,123	2,971,947
Reserve for payment of capital leases (Note 10)	—	515,229
	<u>3,394,796</u>	<u>4,330,809</u>
	<u>\$8,155,961</u>	<u>\$7,372,675</u>

The accompanying notes and schedules
are part of these financial statements.

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND OPERATING EQUITY
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 13)		
REVENUE			
Grants from the General Revenue Fund of the Province of Alberta:			
Operating	\$16,100,000	\$16,100,000	\$16,100,000
Special (Note 5)	—	2,025,000	—
Revenue from program sales, video and audio dubbing	620,000	640,320	697,690
Costs recovered on production of programs	—	10,727	50,130
Membership contributions	—	—	503,297
Interest	100,000	312,880	167,466
Corporate underwriting	85,000	—	53,206
Other	25,000	110,634	152,075
	<u>16,930,000</u>	<u>19,199,561</u>	<u>17,723,864</u>
EXPENDITURE			
Television	4,646,200	5,002,138	6,712,871
Radio	4,326,050	6,153,329	3,038,222
Educational services	5,712,200	3,288,915	4,133,930
Corporate administration	2,413,500	2,448,804	2,980,425
Schedule 1	<u>17,097,950</u>	<u>16,893,186</u>	<u>16,865,448</u>
Provision for loss on surrender of long-term licences (Note 2)	—	31,117	—
	<u>17,097,950</u>	<u>16,924,303</u>	<u>16,865,448</u>
Excess (deficiency) of revenue over expenditure for the year	(167,950)	2,275,258	858,416
Operating equity at beginning of year	843,600	843,633	592,473
Transfer to equity in property and equipment	(115,000)	(143,127)	(92,027)
Appropriated as a reserve for payment of capital leases (Note 10)	—	—	(515,229)
Transfer from reserve for payment of capital leases (Note 10)	—	361,909	—
Operating equity at end of year	<u>\$ 560,650</u>	<u>\$ 3,337,673</u>	<u>\$ 843,633</u>

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
STATEMENT OF EQUITY IN PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Equity in property and equipment at beginning of year	<u>\$2,971,947</u>	<u>\$2,492,250</u>
Add:		
Unexpended capital grants at beginning of year	—	1,051,632
Transfer from reserve for payment of capital leases (Note 10)	153,320	—
Transfer from operating equity	143,127	92,027
Proceeds on sale of property and equipment	5,511	16,331
	<u>301,958</u>	<u>1,159,990</u>
Deduct:		
Amortization of property and equipment	510,102	677,936
Disposal of property and equipment, at cost less accumulated amortization of \$2,029,255 (1994 \$1,568,297)	38,454	2,357
Provision for loss on sale of property and equipment resulting from cessation of operations (Note 2)	2,668,226	—
	<u>3,216,782</u>	<u>680,293</u>
Equity in property and equipment at end of year	<u>\$ 57,123</u>	<u>\$2,971,947</u>

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Operating activities:		
Excess of revenue over expenditure	\$ 2,275,258	\$ 858,416
Add items not affecting cash:		
Amortization of long-term licences	19,989	23,489
Provision for loss on surrender of long-term licenses	31,117	—
Amortization of deferred program costs	1,234,544	2,079,689
Pension expense	(309,000)	27,000
Net change in non-cash working capital balances relating to operations (Note 11)	<u>222,406</u>	<u>(533,045)</u>
Cash provided by operations	<u>3,474,314</u>	<u>2,455,549</u>
Investing activities:		
Additions to deferred program costs	(551,398)	(2,010,615)
Purchase of property and equipment	(148,638)	(1,675,219)
Proceeds on sale of property and equipment	<u>5,511</u>	<u>16,331</u>
Cash applied to investing activities	<u>(694,525)</u>	<u>(3,669,503)</u>
Financing activity:		
Proceeds from capital leases	—	622,191
Principal payments on capital leases	<u>(153,320)</u>	<u>(106,962)</u>
Cash provided by (applied to) financing activities	<u>(153,320)</u>	<u>515,229</u>
Increase (decrease) in cash	2,626,469	(698,725)
Cash at beginning of year	<u>1,431,517</u>	<u>2,130,242</u>
Cash at end of year	<u>\$ 4,057,986</u>	<u>\$ 1,431,517</u>

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority

The Alberta Educational Communications Corporation operates under the authority of the Alberta Educational Communications Corporation Act, Chapter A-18, Revised Statutes of Alberta 1980, as amended.

The Corporation's by-laws require the Corporation to maintain fifteen directors. However, only thirteen directors held office at the commencement of the year and only five directors remained in office at the end of the year.

Section 3(4.1) of the Act prohibits the reappointment of a director for a third term of office until the expiration of three years after his/her second term has ended. One director was appointed for a third consecutive term during the year.

The cessation of operations (see Note 2) has resulted in a reduction in the need for the Board of Directors to provide future direction for the Corporation. The reduction in the number of directors and the reappointment of a director for a third term reflects the reduced workload and also the need to retain existing management until the sale of operations is completed.

The Corporation is registered as a charitable organization with Revenue Canada.

Note 2 Cessation of Operations

On August 9, 1994, the Corporation entered into an agreement to sell its radio operations and related assets to CKUA Radio Foundation, with an effective date of August 1, 1994. On November 15, 1994, the Corporation entered into an agreement to sell its television operations including all property, equipment, inventories and supplies to Learning and Skills Television of Alberta Limited ("LTA"), with an effective date of April 1, 1995. Both of these sales are subject to the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC") and are scheduled to close 30 business days after CRTC approval. At March 31, 1995, the CRTC had not approved either of the two sales (see Note 14).

Under these agreements, on the closing date the Corporation will surrender its licences for cancellation and will assign to the purchasers all of its contracts related to operating leases, maintenance contracts, contracts under capital leases and service contracts except those disclosed in Note 12. Also, LTA will take over the Corporation's educational services by providing production and acquisition of educational programming to the Department of Education and the Department of Advanced Education and Career Development. However, the Corporation will continue to provide these government departments with educational programs, and to transact out-of-province program sales, from existing holdings until the right to use the programs has expired.

Management anticipates that the Province of Alberta will administer these remaining activities on behalf of the Corporation. The Corporation will thus have no employees. The only remaining assets will be cash, accounts receivable and deferred program costs, financed by operating equity.

Losses arising on surrender of the long-term licences and on sale of the property and equipment have been provided for as follows:

	1995			1994
	Radio	Television	Total	Total
Cost of long-term licences	\$ 90,000	\$ 77,445	\$ 167,445	\$ 184,945
Accumulated amortization	70,500	65,828	136,328	133,839
	19,500	11,617	31,117	\$ 51,106
Surrender value	—	—	—	—
Provision for loss on surrender	\$ 19,500	\$ 11,617	\$ 31,117	—
Amortized value of property and equipment (see Note 7)	\$1,125,363	\$1,961,895	\$3,087,258	\$3,487,176
Agreed sale price	10	419,022	419,032	—
Provision for loss on sale	\$1,125,353	\$1,542,873	\$2,668,226	—

Note 3 Significant Accounting Policies

General

These financial statements have been prepared in accordance with generally accepted accounting principles except that amortization of property and equipment is charged against equity in property and equipment.

Property and Equipment

Property and equipment is stated at the agreed sale price (see Note 2).

Annual amortization is recorded separately from the provision for loss on sale and is calculated using the straight-line method as follows:

	Years of Useful Life	Salvage Value as % of Cost
Buildings	30	—
Land improvements	7	—
Transmission equipment	10	5%
Studio and technical equipment	7	—
Automotive	5	15%
Mobile equipment	7	5%
Furniture, fixtures and office equipment	7	—

Leasehold improvements are amortized on the straight-line basis over the remaining term of the lease.

Deferred Program Costs

Programs purchased from other agencies are recorded at cost less amortization calculated using diminishing annual rates as a percentage of cost over the period (to a maximum of four years) for which the right to use the program has been acquired.

Long-term Licences

Annual amortization is recorded separately from the provision for loss on surrender and is calculated using the straight-line method over a term of twenty years for the radio broadcast licence and five years for the computer software licences, all of which are attributable to television operations.

Pension Expense and Liability

The cost of pension obligations earned by employees during the year, and interest on the portion of unfunded liabilities which the Corporation has agreed to fund, are recorded as expenditure of the year. The portion of unfunded pension liabilities which the Corporation had agreed to fund is recorded as a liability.

Program Productions

All costs of programs developed and produced by the Corporation are charged against operations in the year incurred as significant cost recoveries are not normally expected from these programs after the initial year of production and broadcasting.

Membership Contributions

Membership contributions are recorded on the cash basis.

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Corporation earns interest on the daily cash balance at the average rate of interest earned by the Consolidated Cash Investment Trust Fund.

Note 5 Special Grant from the General Revenue Fund of the Province of Alberta

The sale agreement with CKUA Radio Foundation provides for transitional funding grants amounting to \$4,725,000 to be made by the Corporation to the Foundation over a three year period. An initial grant of \$2,700,000 was paid by the Corporation. Subsequently, the sale agreement was amended to provide for the remaining \$2,025,000 to become immediately payable. The Department of Municipal Affairs has agreed to provide the Corporation with a special grant of \$2,025,000 in order to finance the remaining transitional funding grant to the Foundation.

Note 6 Deferred Program Costs

	1995	1994
Cost	\$ 5,688,793	\$ 8,465,615
Accumulated amortization	(4,595,320)	(6,688,996)
Net book value	<u>\$ 1,093,473</u>	<u>\$ 1,776,619</u>

Note 7 Property and Equipment Held for Disposal

	1995		1994	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and land improvements	\$ 353,336	\$ 199,127	\$ 154,209	\$ 157,630
Transmission equipment	3,695,383	2,601,490	1,093,893	1,120,606
Studio and technical equipment	6,875,515	6,510,216	365,299	521,578
Automotive and mobile equipment	492,246	447,952	44,294	49,157
Furniture, fixtures and office equipment	1,410,954	937,783	473,171	568,323
Leasehold improvements	516,740	49,213	467,527	492,133
	<u>13,344,174</u>	<u>10,745,781</u>	<u>2,598,393</u>	<u>2,909,427</u>
Equipment under capital leases:				
Studio and technical equipment	495,000	106,071	388,929	459,643
Furniture, fixtures and office equipment	127,191	27,255	99,936	118,106
	<u>622,191</u>	<u>133,326</u>	<u>488,865</u>	<u>577,749</u>
	<u>\$13,966,365</u>	<u>\$10,879,107</u>	<u>3,087,258</u>	<u>3,487,176</u>
Provision for loss on sale resulting from cessation of operations (Note 2)			2,668,226	—
			<u>\$ 419,032</u>	<u>\$ 3,487,176</u>

Note 8 Obligations Under Capital Leases

	1995
Capital lease, payable in monthly instalments of \$14,309 including interest at 11.3%, due December 31, 1996	\$271,336
Capital lease, payable in monthly instalments of \$2,779 including interest at 14.0%, due September 30, 1998	90,573
Total principal obligation	361,909
Less: Current portion	171,626
Long-term portion	<u>\$190,283</u>

The capital leases are secured by the equipment under capital leases.

Future minimum lease payments are as follows:

Year ending March 31	
1996	\$205,056
1997	162,129
1998	33,348
1999	13,744
Total minimum lease payments	414,277
Less amount representing future interest	52,368
Balance of the obligation	<u>\$361,909</u>

The obligations under capital leases will be assumed by the purchasers of the television operations (see Notes 2 and 7).

Note 9 Pension Liability

The Corporation participates with other employers in two defined benefit pension plans. The Public Service Pension Plan and the Management Employees Pension Plan provide pensions for the Corporation's employees based on length of service and earnings.

The Corporation's unfunded pension liability for each plan as at March 31, 1995 is as follows:

	1995	1994
Public Service Pension Plan	\$379,000	\$501,000
Management Employees Pension Plan	303,000	490,000
	<u>\$682,000</u>	<u>\$991,000</u>

The total amount of unfunded pension liabilities from these plans was determined by an actuarial valuation as at December 31, 1993 for the Public Service Pension Plan and December 31, 1994 for the Management Employees Pension Plan, extrapolated to March 31, 1995. During 1993, the Alberta Legislature passed the Public Sector Pension Plan Act which determined the amount of the unfunded pension liabilities which will be funded by employers. The Corporation's portion of that employers' liability was calculated based on the Corporation's percentage of the total pensionable payroll of all employers.

The Corporation's liability will be reallocated to the other employers participating in the two plans, following the closing of the sale of operations (see Note 2) and the termination of the employees.

Note 10 Reserve for Payment of Capital Leases

	1995	1994
Reserve for payment of capital leases at beginning of year	\$ 515,229	\$ —
Transfer (to) from operating equity	(361,909)	515,229
Transfer to equity in property and equipment	<u>(153,320)</u>	<u>—</u>
Reserve for payment of capital leases at end of year	<u>\$ —</u>	<u>\$ 515,229</u>

Note 11 Net Change in Non-Cash Working Capital Balances

	1995	1994
Grant receivable	\$ (2,025,000)	\$ —
Accounts receivable	(176,639)	(85,678)
Prepaid expenses and deposits	224,689	87,014
Inventories	17,737	6,870
Grant payable	2,025,000	—
Payables and accruals	188,374	(501,317)
Advances on co-productions	<u>(31,755)</u>	<u>(39,934)</u>
	<u>\$ 222,406</u>	<u>\$ (533,045)</u>

Note 12 Commitment Under Realty Operating Lease

The Corporation is committed to a lease of premises until the year 2012. Pursuant to the agreement to sell its television operations to Learning and Skills Television of Alberta Limited, ("LTA"), the Corporation entered into sublease arrangement whereby LTA will assume 70% of the cost of rental payments for a five year period. LTA's commitment expires five years after closure of the sale (see Note 14). In addition, the Minister of Public Works, Supply and Services of the Province of Alberta has agreed to assume obligations under the lease effective the date of closure of the sale. Therefore, the Corporation will have no further obligation under the lease after the closing date.

Note 13 Budget

The 1995 budget was approved by the Board of Directors on June 20, 1994.

Note 14 Subsequent Events

On May 29, 1995, the Canadian Radio-television and Telecommunications Commission approved the sale of the Corporation's radio operations to CKUA Radio Foundation and on July 20, 1995, the Commission approved the sale of the television operations to Learning and Skills Television of Alberta Limited.

On July 13, 1995, the sale of the radio operations was closed. The sale of the television operations is scheduled to close on August 31, 1995.

Note 15 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 16 Approval of Financial Statements

These financial statements were reviewed by management and the Audit Committee and recommended for approval by the Board.

Schedule 1

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
SCHEDULE OF EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	1995					1994
	Television	Radio	Educational Services	Corporate Administration	Total	Total
Salaries and benefits, Schedule 2	\$ 2,001,936	\$ 931,245	\$ 1,766,002	\$ 1,034,975	\$ 5,734,158	\$ 8,249,403
Grants to CKUA Radio (Note 5)	—	4,725,000	—	—	4,725,000	—
Services	261,629	320,495	937,854	517,163	2,037,141	2,370,398
Satellite transmission services leases	1,520,760	23,500	—	—	1,544,260	1,590,743
Amortization of deferred program costs	959,310	—	275,234	—	1,234,544	2,079,689
Realty and equipment leases	16,500	37,858	—	620,647	675,005	917,859
Travel and communications	105,424	38,092	158,647	91,407	393,570	830,075
Materials and supplies	123,569	23,115	143,346	53,261	343,291	627,919
Interest and other	13,010	54,024	7,832	131,351	206,217	199,362
Total expenditure	<u>\$ 5,002,138</u>	<u>\$ 6,153,329</u>	<u>\$ 3,288,915</u>	<u>\$ 2,448,804</u>	<u>\$16,893,186</u>	<u>\$16,865,448</u>

Schedule 2

THE ALBERTA EDUCATIONAL COMMUNICATIONS CORPORATION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED MARCH 31, 1995

	1995				1994	
	Number of Individuals	Salary ^(a)	Benefits and Allowances ^(b)	Total	Number of Individuals	Total
Chairman of the Board	1	\$ 12,850	\$ —	\$ 12,850	1	\$ 11,500
Board members	7	15,175	—	15,175	8	29,575
	<u>8</u>	<u>28,025</u>	<u>—</u>	<u>28,025</u>	<u>9</u>	<u>41,075</u>
Chief Executive Officer ^(c)	1	34,776	7,852	42,628	1	99,466
Executives						
General Manager of Television	1	92,499	13,486	105,985	1	93,924
General Manager of Radio	1	14,550	2,121	16,671	1	89,657
General Manager of Educational Services	1	62,805	24,691	87,496	1	91,031
Controller	1	75,809	15,479	91,288	1	87,538
Other managers (average 1995 \$70,595, 1994 \$67,194)	9	481,024	154,394	635,418	15	998,410
Other full-time staff (average 1995 \$49,049, 1994 \$45,646) ^(d)	78	3,110,560	714,556	3,825,116	126	5,753,477
Part-time and casual staff		279,746	54,455	334,201		508,818
Decrease in accrual for vacation pay		(338,574)	—	(338,574)		(58,245)
Severance pay		2,102,966	—	2,102,966		546,562
		<u>5,916,161</u>	<u>987,034</u>	<u>6,903,195</u>		<u>8,210,638</u>
Total (e)		<u>\$5,944,186</u>	<u>\$ 987,034</u>	<u>\$6,931,220</u>		<u>\$8,251,713</u>

(a) Salary includes regular base pay, overtime, commissions, lump sum payments, honoraria and any other direct cash remuneration.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, unemployment insurance, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long-term disability plan, employee assistance plan and worker's compensation.

(c) This position was occupied for nine months on a part time basis during the 1995 year.

(d) Full-time staff consists of all individuals working 29 hours or more per week.

(e) Reconciliation of 1995 salaries and benefits shown in Schedules 2 and 1.

Salaries and benefits shown in Schedule 2 above	\$6,931,220
Salaries and benefits reimbursed, not included in Schedule 2	(888,062)
Reduction in the Corporation's pension liability	(309,000)
Salaries and benefits per Schedule 1	<u>\$5,734,158</u>

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Revenue, Expenditure and Change in Deficit
Consolidated Statement of Deficit
Consolidated Statement of Changes in Financial Position
Notes to the Consolidated Financial Statements
Schedule of Social Housing Program Costs
Schedule of Operating Costs for Assets Held for Sale

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Social Housing Corporation

I have audited the consolidated balance sheet of the Alberta Social Housing Corporation (previously, Alberta Mortgage and Housing Corporation) as at March 31, 1995 and the consolidated statements of revenue, expenditure and change in deficit, deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u> (Note 3)
ASSETS		
Cash	\$ 1,464	\$ 16,620
Accounts receivable	121,949	31,948
Due from the General Revenue Fund of the Province of Alberta (Note 4)	57,261	15,046
Other receivables (Note 5)	11,673	9,416
Social housing program assets:		
Rental properties (Note 6)	1,030,826	1,048,107
Mortgages (Note 7)	63,792	71,398
Assets held for sale:		
Mortgages and foreclosed properties (Note 8)	39,431	180,337
Land (Note 9)	21,772	68,534
Surplus housing	2,824	8,726
	<u>\$1,350,992</u>	<u>\$1,450,132</u>
LIABILITIES AND DEFICIT		
Accrued interest payable	\$ 47,158	\$ 54,443
Accounts payable	8,222	9,876
Short-term notes payable to the General Revenue Fund of the Province of Alberta	10,983	8,969
Property tax deposits on mortgages	1,737	2,994
Allowance for losses on guarantees and indemnities	6,417	—
Unearned mortgage insurance premiums	1,085	2,019
Advance from the General Revenue Fund of the Province of Alberta (Note 10)	108,310	132,910
Long-term debt (Note 11)	1,324,983	1,472,202
	1,508,895	1,683,413
Deficit (Note 12)	(157,903)	(233,281)
	<u>\$1,350,992</u>	<u>\$1,450,132</u>
The accompanying notes and schedules are part of these consolidated financial statements.		

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND CHANGE IN DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	1995			1994	
	Social Housing Program (Actual) (Schedule 1)	Assets Held for Sale (Actual) (Schedule 2)	Total (Actual)	Total (Budget) (Note 13)	Total (Actual) (Note 3)
Revenue					
Sales	\$ —	\$ 174,950	\$ 174,950	\$ 221,600	\$ 278,169
Rental properties:					
Agency managed	67,903	—	67,903	84,580	75,714
Other	—	5,905	5,905	3,350	8,903
Interest:					
Mortgages	3,260	12,298	15,558	4,100	22,365
Bank and other	524	—	524	600	1,109
Miscellaneous	1,594	1,086	2,680	1,500	2,858
	<u>73,281</u>	<u>194,239</u>	<u>267,520</u>	<u>315,730</u>	<u>389,118</u>
Expenditure					
Cost of sales	—	193,469	193,469	218,000	248,864
Interest on long-term debt	129,720	15,729	145,449	142,500	160,933
Rental properties:					
Agency managed	62,620	—	62,620	87,380	76,634
Other	—	2,616	2,616	3,900	3,594
Grants and subsidies	30,693	—	30,693	35,250	30,004
Amortization	25,964	—	25,964	24,000	25,069
Provision for (recovery of) losses on:					
Other receivables	—	1,112	1,112	—	—
Guarantees and indemnities (Note 14)	6,727	—	6,727	—	—
Restructured mortgages	—	(4,161)	(4,161)	—	13,797
Land	—	(2,060)	(2,060)	—	31,701
Other mortgages, foreclosed properties and surplus housing	832	1,210	2,042	1,100	10,259
Selling costs	—	2,283	2,283	3,900	4,872
Salaries and benefits (Note 15)	—	—	—	—	1,986
Miscellaneous	1,207	1,647	2,854	1,000	1,709
	<u>257,763</u>	<u>211,845</u>	<u>469,608</u>	<u>517,030</u>	<u>609,422</u>
Deficiency of revenue over expenditure before program recoveries	184,482	17,606	202,088	201,300	220,304
Program recoveries (Note 16):					
Canada Mortgage and Housing Corporation	(76,412)	—	(76,412)	(80,950)	(78,356)
Municipal authorities	(1,458)	—	(1,458)	(3,300)	(3,036)
Program costs	106,612	17,606	124,218	117,050	138,912
Funding required from the General Revenue Fund (Note 4)	(97,273)	(94,326)	(191,599)	(243,750)	(202,952)
Transfer of program assets to (from) the General Revenue Fund	(11,055)	3,058	(7,997)	(16,100)	7,716
Contributions from the Alberta Capital Fund	—	—	—	—	(15,480)
Decrease in deficit during the year (Note 17)	<u>\$ (1,716)</u>	<u>\$ (73,662)</u>	<u>\$ (75,378)</u>	<u>\$(142,800)</u>	<u>\$ (71,804)</u>

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u> (Note 3)
Deficit at beginning of year, as previously reported	\$229,565	\$302,347
Adjustment for rental properties - Rural and Native Housing program (Note 3)	3,716	2,738
Deficit at beginning of year, as restated	<u>233,281</u>	<u>305,085</u>
Decrease during the year	75,378	71,804
Deficit at end of year (Note 12)	<u><u>\$157,903</u></u>	<u><u>\$233,281</u></u>

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	<u>1995</u>	<u>1994</u> (Note 3)
Operating activities:		
Program costs	\$(124,218)	\$(138,912)
Add (deduct) non-cash charges:		
Amortization	25,964	25,069
Loss (gain) on disposal of assets held for sale	18,519	(29,305)
Provision for losses	3,660	55,757
Mortgage insurance premiums earned	(934)	(720)
	<u>(77,009)</u>	<u>(88,111)</u>
Payments for guarantees and indemnities implemented	(310)	—
Mortgage insurance premiums received	—	308
Increase in non-cash working capital	(98,183)	(21,373)
Cash applied to operating activities	<u>(175,502)</u>	<u>(109,176)</u>
Investing activities:		
Mortgage repayments	12,210	12,496
Proceeds from disposition of assets held for sale	174,950	278,169
Acquisitions:		
Social housing programs	(95)	(21,138)
Assets held for sale	(915)	(19,637)
Transfers of assets to (from) the General Revenue Fund	(7,997)	7,716
Decrease (increase) in other receivables	(3,369)	471
Cash provided by investing activities	<u>174,784</u>	<u>258,077</u>
Financing activities:		
Repayment of long-term debt	(147,219)	(310,192)
Cash received from the General Revenue Fund (Note 4)	149,384	174,299
Debentures issued	—	15,000
Contributions from the Alberta Capital Fund	—	15,480
Repayment of advance from the General Revenue Fund	(24,600)	(27,600)
Transfers of program assets from (to) the General Revenue Fund	7,997	(7,716)
Cash applied to financing activities	<u>(14,438)</u>	<u>(140,729)</u>
Increase (decrease) in cash	(15,156)	8,172
Cash at beginning of year	16,620	8,448
Cash at end of year	<u><u>\$ 1,464</u></u>	<u><u>\$ 16,620</u></u>

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Mortgage and Housing Corporation is continued as the Alberta Social Housing Corporation under the authority of the Alberta Housing Act, Chapter A-30.1. Previously, the Alberta Mortgage and Housing Corporation operated under the authority of the Alberta Mortgage and Housing Corporation Act, Chapter A-32.5, Statutes of Alberta 1984, repealed effective July 1, 1994.

The Corporation's primary purpose is to provide social housing accommodation to low income families and individuals, seniors and those with special needs.

The Corporation intends to dispose of assets that are surplus to its social housing program needs. These assets, and the revenues and expenditures attributable thereto, are reported separately in these financial statements.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of Municipal Affairs - Sales Ltd., a wholly-owned subsidiary. The 1994 comparative figures also include the accounts of Tri-County Property Management Ltd. for the period from April 1, 1993 to February 28, 1994, when it ceased operations.

(b) Social Housing Program Assets

Rental Properties

Buildings, contents and leasehold improvements are reported at cost less accumulated amortization. Land and work in progress are reported at cost.

These assets are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings and contents:	
Rural and Native housing	- 4%
Rural mobile homes	- 10%
Other rental properties	- 2%
Leasehold improvements	- The lesser of the lease term and 40 years

Mortgages

Mortgages are reported at cost less any allowance for losses. Cost includes amounts advanced, accrued interest, property taxes, and other charges, less repayments and subsidies.

(c) Assets Held for Sale

Assets held for sale are reported at the lower of cost and net realizable value.

(d) Interest Revenue - Mortgages

Interest is recognized on an accrual basis until a mortgage is classified as non-accrual.

Social housing program mortgages are classified as non-accrual when interest or principal payments are contractually past due 60 days. Mortgages held for sale are classified as non-accrual when interest or principal payments are contractually past due 30 days. Interest on non-accrual loans is recognized as revenue on a cash basis.

(e) Capital Surplus

Assets transferred to the Corporation at nominal values are recorded at fair value at acquisition dates. The capital surplus arising from these transfers is deducted from total unfunded expenditure to arrive at the deficit.

Note 3 Change in Accounting Policy

During the year, the Corporation changed its accounting policy, retroactively, for foreclosed and other Rural and Native Housing program properties.

Previously, these properties were recorded as part of the mortgage portfolio. In the current year, the Corporation has recognized these assets as rental properties and has restated them at their amortized value.

The effect of the change in the accounting policy is as follows:

	<u>1995</u>	<u>1994</u>
	(thousands of dollars)	
Increase in deficit at beginning of year	\$ 3,716	\$ 2,738
Increase in amortization expenditure	<u>1,008</u>	<u>978</u>
Increase in deficit at end of year	<u>\$ 4,724</u>	<u>\$ 3,716</u>
Increase in due from the General Revenue Fund of the Province of Alberta	<u>\$ 1,747</u>	<u>\$ 1,747</u>
Decrease in mortgages	<u>\$29,477</u>	<u>\$30,876</u>
Increase in rental properties	<u>\$23,006</u>	<u>\$25,413</u>

Note 4 Due from the General Revenue Fund of the Province of Alberta

	<u>1995</u>	<u>1994</u>
	(Note 3)	
	(thousands of dollars)	
Due from (to) the General Revenue Fund of the Province of Alberta at beginning of year	\$ 15,046	\$ (13,607)
Cash received	<u>(149,384)</u>	<u>(174,299)</u>
	<u>(134,338)</u>	<u>(187,906)</u>
Less funding required from the General Revenue Fund for:		
Losses realized on assets	94,339	88,503
Other operating costs	<u>97,260</u>	<u>114,449</u>
	<u>191,599</u>	<u>202,952</u>
Due from the General Revenue Fund of the Province of Alberta at end of year	<u>\$ 57,261</u>	<u>\$ 15,046</u>

Note 5 Other Receivables

Other receivables result from the Corporation financing the following:

	<u>1995</u>	<u>1994</u>
	(thousands of dollars)	
Sale of land to:		
Municipalities	\$ 983	\$ 1,231
Others	3,483	3,483
Construction of student residences for the Province of Alberta	3,265	3,470
Sale of surplus housing	1,621	487
Amounts required on renegotiation of mortgages	<u>2,321</u>	<u>745</u>
	<u>\$11,673</u>	<u>\$ 9,416</u>

Note 6 Social Housing Program Assets - Rental Properties

	<u>Land</u>	<u>Buildings, Contents and Leasehold Improvements</u>	<u>Work in Progress</u>	<u>Total</u>
	(thousands of dollars)			
Senior citizens' self-contained units	\$ 64,269	\$ 615,483	\$ —	\$ 679,752
Community housing	44,696	341,731	—	386,427
Senior citizens' lodges	11,603	196,498	3,087	211,188
Rural and native units	5,147	22,583	—	27,730
Special needs housing	1,733	11,210	—	12,943
Rural mobile homes	<u>575</u>	<u>7,802</u>	<u>—</u>	<u>8,377</u>
Total cost	128,023	1,195,307	3,087	1,326,417
Accumulated amortization	—	295,591	—	295,591
1995 Net book value	<u>\$ 128,023</u>	<u>\$ 899,716</u>	<u>\$ 3,087</u>	<u>\$1,030,826</u>
1994 Net book value	<u>\$ 127,692</u>	<u>\$ 907,608</u>	<u>\$ 12,807</u>	<u>\$1,048,107</u>

Note 7 Social Housing Program Assets - Mortgages

The mortgages are provided under the Rural and Native Housing program with terms of 25 years and interest renewals every 5 years.

	1995	1994
	(thousands of dollars)	
Accrual	\$56,174	\$61,836
Non-accrual	8,405	9,807
	<u>64,579</u>	<u>71,643</u>
Less allowance for losses	787	245
	<u>\$63,792</u>	<u>\$71,398</u>

Note 8 Assets Held for Sale - Mortgages and Foreclosed Properties

	1995	1994
	(thousands of dollars)	
Mortgages:		
Accrual:		
Multi-unit rental properties	\$ —	\$ 63,428
Less allowance for losses	—	1,798
Net accrual mortgages	<u>—</u>	<u>61,630</u>
Non-accrual:		
Multi-unit rental properties	60,942	169,703
Land	3,867	4,686
Single family properties	—	58
	<u>64,809</u>	<u>174,447</u>
Less allowance for losses	28,447	69,883
Net non-accrual mortgages	<u>36,362</u>	<u>104,564</u>
Net mortgages	<u>36,362</u>	<u>166,194</u>
Foreclosed properties:		
Multi-unit rental properties	1,916	5,845
Single family properties	1,712	11,402
	<u>3,628</u>	<u>17,247</u>
Less allowance for losses:		
Multi-unit rental properties	177	1,395
Single family properties	382	1,709
	<u>559</u>	<u>3,104</u>
Net foreclosed properties	<u>3,069</u>	<u>14,143</u>
Mortgages and foreclosed properties	<u>\$ 39,431</u>	<u>\$180,337</u>

Included in accrual multi-unit rental mortgages in 1994 are restructured mortgages amounting to \$62,163,000 and the related allowance for losses of \$1,798,000.

Note 9 Assets Held for Sale - Land

	1995	1994
	(thousands of dollars)	
Cost	\$59,672	\$108,494
Less allowance for losses	<u>37,900</u>	<u>39,960</u>
	<u>\$21,772</u>	<u>\$ 68,534</u>

Note 10 Advance from the General Revenue Fund of the Province of Alberta

The advance is interest free and is repayable on demand.

Note 11 Long-term Debt

	1995	1994
	(thousands of dollars)	
Debentures payable:		
Alberta Heritage Savings Trust Fund, maturing 2001 to 2019, with a weighted average interest rate of 10.51%	\$1,220,627	\$1,366,978
Canada Mortgage and Housing Corporation, maturing 2022 to 2030, with a weighted average interest rate of 9.1%	104,045	104,910
Mortgages:		
Canada Mortgage and Housing Corporation	311	314
	<u>\$1,324,983</u>	<u>\$1,472,202</u>

- (a) The repayment of principal and interest on all borrowings is guaranteed by the Province of Alberta.
- (b) Debentures are repayable in equal annual or semi-annual instalments of blended principal and interest over the terms to maturity.
- (c) Approximate aggregate repayments due in each of the next five years are:

1996	\$38,021,000
1997	\$41,872,000
1998	\$46,130,000
1999	\$50,813,000
2000	\$55,828,000

Note 12 Deficit

When funding program costs from money voted by the Legislature, the Provincial Treasurer excludes losses on foreclosed properties, until these are disposed of, and provisions for declines in the value of assets held by the Corporation.

The deficit at the end of the year consists of the following:

	<u>1995</u>	<u>1994</u>
	(thousands of dollars)	
Unfunded expenditure:		
Social housing program assets - rental properties:		
Amortization	\$107,388	\$106,977
Capitalization of funded program assets	(503)	(618)
	<u>106,885</u>	<u>106,359</u>
Allowance for losses on guarantees and indemnities (Note 14)	<u>6,417</u>	<u>—</u>
Social housing program assets - mortgages:		
Allowance for losses (Note 7)	<u>787</u>	<u>245</u>
Assets held for sale - mortgages and foreclosed properties:		
Allowance for losses (Note 8)	28,447	71,681
Write downs resulting from mortgage renegotiations and losses on foreclosures	<u>10</u>	<u>18,311</u>
	<u>28,457</u>	<u>89,992</u>
Assets held for sale - land:		
Write downs	57,107	67,291
Allowance for losses (Note 9)	<u>37,900</u>	<u>39,960</u>
	<u>95,007</u>	<u>107,251</u>
Total unfunded expenditure	237,553	303,847
Capital surplus from transfer of assets and Alberta Capital Fund contributions	<u>(79,650)</u>	<u>(70,566)</u>
Deficit at end of year	<u>\$157,903</u>	<u>\$233,281</u>

Note 13 Budget

The 1995 revenue, expenditure and recoveries budget was approved by the Board on February 16, 1994 and has been included in the consolidated statement of revenue, expenditure and change in deficit for comparison with the 1995 actual figures.

Note 14 Guarantees and Indemnities

- (a) The Corporation has issued guarantees on the sale of certain of its mortgages to cover losses incurred by the purchasers due to defaults. Any claims for losses will be reduced by the values realized on mortgaged properties.

	Guaranteed Amounts at March 31, 1995 (thousands of dollars)
Mortgages, on single family properties, guaranteed to 1998	\$167,611
Mortgages, on multi-unit rental properties and land, guaranteed to:	
1999	161
2001	942
2003	21,183
2004	1,744
2007	59,508
2008	1,881
2009	1,552
2011	113,337
2012	435
2017	1,585
2018	1,818
2022	4,168
	<u>208,314</u>
	<u>\$375,925</u>

- (b) Under the mobile home loan insurance program, the Corporation has agreed to indemnify losses on mobile home loans issued by financial institutions. The outstanding loans amount to \$60,063,000.

Note 15 Salaries and Benefits

The Corporation does not have any employees. The staff are employed and paid by the Department of Municipal Affairs.

Salaries and benefits reported in 1994 were those paid by the Corporation's wholly-owned subsidiaries, Municipal Affairs - Sales Ltd. and Tri-County Property Management Ltd.

Note 16 Program Recoveries

- (a) Canada Mortgage and Housing Corporation

Cost-sharing agreements provide for a contribution by Canada Mortgage and Housing Corporation towards the capital costs and operating deficits incurred on approved social housing program projects, and for rent subsidies on properties owned privately or by the Alberta Social Housing Corporation. It is estimated that the Canada Mortgage and Housing Corporation will over the next 38 years contribute \$474,664,000, plus interest, towards the capital cost of existing social housing program rental properties.

- (b) Municipal Authorities

Cost-sharing agreements provide for contributions by municipal authorities of up to 10% of capital costs and operating deficits of community housing rental properties.

Note 17 Decrease in Deficit

The decrease in deficit results from changes during the year in unfunded expenditure and in the capital surplus.

The change in unfunded expenditure results from:

- certain unfunded expenditure of prior years which has been funded in the current year, and
- certain expenditure of the current year which has not been funded.

The change in capital surplus results from assets transferred from (to) the General Revenue Fund of the Province of Alberta.

Note 18 Administration Costs

Certain salaries, accommodation and other administration costs incurred in the operation of the Corporation have not been included in the Corporation's expenditures. These costs are incurred and recorded by the General Revenue Fund of the Province of Alberta, Departments of Municipal Affairs and Public Works, Supply and Services.

The salaries and benefits and other costs paid by the Department of Municipal Affairs are estimated to be \$13,911,000. The accommodation and utility costs paid by the Department of Public Works, Supply and Services have not been determined.

Note 19 Commitments

The Corporation leases land under various operating leases for the purpose of providing social housing. Total future payments on these leases amount to \$58,900,000. Lease payments of \$1,300,000 are due in each of the next five years.

Note 20 Subsequent Event

The wholly-owned subsidiary, Municipal Affairs - Sales Ltd. was dissolved by Order-in-Council 317/95 dated April 5, 1995.

Note 21 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 22 Approval of Financial Statements

These financial statements have been approved by the Board of Directors of the Corporation.

Schedule 1

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
SCHEDULE OF SOCIAL HOUSING PROGRAM COSTS
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	Senior Citizens' Self-Contained	Community Housing	Senior Citizens' Lodges	Rural and Native	Special Needs Housing	Rural Mobile Homes	Other	Total
Revenue								
Rental properties - agency managed	\$ 41,977	\$ 23,097	\$ —	\$ 1,540	\$ 386	\$ 903	\$ —	\$ 67,903
Interest:								
Mortgages	—	—	—	3,260	—	—	—	3,260
Bank and other	—	—	—	—	—	—	524	524
Miscellaneous	—	—	—	—	—	—	1,594	1,594
	<u>41,977</u>	<u>23,097</u>	<u>—</u>	<u>4,800</u>	<u>386</u>	<u>903</u>	<u>2,118</u>	<u>73,281</u>
Expenditure								
Interest on long-term debt	65,945	37,348	16,106	9,005	1,256	60	—	129,720
Rental properties - agency managed	36,069	23,536	—	1,635	399	721	260	62,620
Grants and subsidies:								
Rent supplement	—	—	—	—	—	—	11,352	11,352
Lodge foundations	—	—	9,444	—	—	—	—	9,444
Municipal non-profit organizations	—	2,756	—	—	1,164	—	1,163	5,083
Private non-profit organizations	—	—	—	—	2,918	—	—	2,918
Other	—	—	—	1,123	—	—	773	1,896
Amortization	12,393	7,614	3,945	1,008	224	780	—	25,964
Provision for (recovery of) losses on:								
Guarantees and indemnities (Note 14)	—	—	—	—	—	—	6,727	6,727
Social housing mortgages	—	—	—	832	—	—	—	832
Miscellaneous	—	—	—	155	—	—	1,052	1,207
	<u>114,407</u>	<u>71,254</u>	<u>29,495</u>	<u>13,758</u>	<u>5,961</u>	<u>1,561</u>	<u>21,327</u>	<u>257,763</u>
Deficiency of revenue over expenditure before program recoveries	72,430	48,157	29,495	8,958	5,575	658	19,209	184,482
Program recoveries (Note 16):								
Canada Mortgage and Housing Corporation	(28,041)	(27,834)	(2,963)	(6,826)	(3,320)	—	(7,428)	(76,412)
Municipal authorities	—	(1,458)	—	—	—	—	—	(1,458)
Program costs	<u>\$ 44,389</u>	<u>\$ 18,865</u>	<u>\$ 26,532</u>	<u>\$ 2,132</u>	<u>\$ 2,255</u>	<u>\$ 658</u>	<u>\$ 11,781</u>	<u>\$106,612</u>

ALBERTA SOCIAL HOUSING CORPORATION
(previously, Alberta Mortgage and Housing Corporation)
SCHEDULE OF OPERATING COSTS FOR ASSETS HELD FOR SALE
FOR THE YEAR ENDED MARCH 31, 1995
(thousands of dollars)

	Mortgages/ Foreclosed Properties	Land	Surplus Housing	Total
Revenue				
Sales	\$137,717	\$ 34,675	\$ 2,558	\$174,950
Rental properties	—	4,971	934	5,905
Interest - mortgages	12,298	—	—	12,298
Miscellaneous	1,086	—	—	1,086
	<u>151,101</u>	<u>39,646</u>	<u>3,492</u>	<u>194,239</u>
Expenditure				
Cost of sales	141,638	48,960	2,871	193,469
Interest on long-term debt	11,682	3,878	169	15,729
Rental properties	—	2,349	267	2,616
Provision for (recovery of) losses on:				
Other receivables	—	—	1,112	1,112
Restructured mortgages	(4,161)	—	—	(4,161)
Land	—	(2,060)	—	(2,060)
Foreclosed properties and surplus housing	1,100	—	110	1,210
Selling costs	1,378	734	171	2,283
Miscellaneous	1,210	413	24	1,647
	<u>152,847</u>	<u>54,274</u>	<u>4,724</u>	<u>211,845</u>
Deficiency of revenue over expenditure	<u>\$ 1,746</u>	<u>\$ 14,628</u>	<u>\$ 1,232</u>	<u>\$ 17,606</u>

ALBERTA RACING COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report

Balance Sheet

Statement of Revenue, Expenditure and Accumulated Excess of Revenue Over Expenditure

Statement of Changes in Financial Position

Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Racing Commission

I have audited the balance sheet of the Alberta Racing Commission as at March 31, 1995 and the statements of revenue, expenditure and accumulated excess of revenue over expenditure and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
April 26, 1995

ALBERTA RACING COMMISSION
BALANCE SHEET
AS AT MARCH 31, 1995

	<u>1995</u>	<u>1994</u> (restated)
ASSETS		
Current:		
Cash (Note 4)	\$1,220,067	\$ 927,028
Accounts receivable	35,179	99,853
Prepaid expenses	13,828	19,790
	<u>1,269,074</u>	<u>1,046,671</u>
Capital assets (Note 5)	12,028	14,726
	<u>\$1,281,102</u>	<u>\$1,061,397</u>
LIABILITIES AND EQUITY		
Current:		
Accounts payable	\$ 320,958	\$ 389,274
Deferred revenue	45,975	49,295
	<u>366,933</u>	<u>438,569</u>
Standardbred Sires Stakes Registration	22,982	22,705
Pension liability (Note 6)	<u>67,000</u>	<u>58,000</u>
Equity:		
Accumulated excess of revenue over expenditure (Note 3)	524,187	242,123
Reserve (Note 7)	300,000	300,000
	<u>824,187</u>	<u>542,123</u>
	<u>\$1,281,102</u>	<u>\$1,061,397</u>
The accompanying notes are part of these financial statements.		

ALBERTA RACING COMMISSION
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS
OF REVENUE OVER EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget	Actual	Actual (restated)
Revenue:			
Contributions by the Province of Alberta (Note 8)	\$7,580,000	\$7,621,325	\$7,621,325
Assessments, licenses and fines	367,465	374,519	384,912
Rural racing levy	151,700	195,032	277,992
Interest	85,000	219,505	86,560
Miscellaneous	2,000	76,199	77,586
	<u>8,186,165</u>	<u>8,486,580</u>	<u>8,448,375</u>
Development expenditure:			
Standardbred support:			
Grants	97,150	97,150	104,264
Breeders of Alberta breds bonus	141,620	141,620	152,000
Owners of Alberta breds premium	360,400	362,128	427,610
Purse supplements	<u>2,349,563</u>	<u>2,425,374</u>	<u>2,566,860</u>
	<u>2,948,733</u>	<u>3,026,272</u>	<u>3,250,734</u>
Thoroughbred support:			
Grants	90,000	90,000	90,000
Breeders of Alberta breds bonus	449,796	398,300	434,800
Owners of Alberta breds premium	670,000	653,402	612,405
Purse supplements	<u>1,974,000</u>	<u>1,889,990</u>	<u>1,707,540</u>
	<u>3,183,796</u>	<u>3,031,692</u>	<u>2,844,745</u>
Community support:			
Grants	240,512	221,539	249,383
Purse supplements	<u>513,445</u>	<u>467,317</u>	<u>513,318</u>
	<u>753,957</u>	<u>688,856</u>	<u>762,701</u>
	<u>6,886,486</u>	<u>6,746,820</u>	<u>6,858,180</u>
Equine research	23,000	23,000	43,000
Tattooing	24,100	17,960	20,100
Promotions	4,500	4,000	1,500
Other	<u>10,000</u>	<u>20,249</u>	<u>13,000</u>
	<u>6,948,086</u>	<u>6,812,029</u>	<u>6,935,780</u>
Operating expenditure:			
Salaries, wages and employee benefits (Note 9)	1,089,676	1,049,467	1,147,745
Other operating expenditures (Note 10)	<u>311,200</u>	<u>343,020</u>	<u>369,095</u>
	<u>1,400,876</u>	<u>1,392,487</u>	<u>1,516,840</u>
Total expenditure	<u>8,348,962</u>	<u>8,204,516</u>	<u>8,452,620</u>
Excess (deficiency) of revenue over expenditure for the year	<u>\$ (162,797)</u>	282,064	(4,245)
Accumulated excess of revenue over expenditure (deficit) at beginning of year, as restated (Note 3)		242,123	(26,116)
Transfer from reserves		—	272,484
Accumulated excess of revenue over expenditure at end of year		<u>\$ 524,187</u>	<u>\$ 242,123</u>

ALBERTA RACING COMMISSION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Cash from operations:		
Base operating grant	\$ 7,580,000	\$ 7,580,000
Receipts from racing activities	631,509	618,347
Other receipts	295,100	164,146
Standardbred development expenditures	(3,063,943)	(3,261,311)
Thoroughbred development expenditures	(3,060,506)	(2,843,313)
Community development expenditures	(683,816)	(762,701)
Other development expenditures	(65,209)	(77,600)
Salaries and related payments	(1,040,467)	(1,145,745)
Other operating expenditures	(297,943)	(268,991)
Net cash generated from operations	<u>294,725</u>	<u>2,832</u>
Cash from financing and investing:		
Sires Stakes payments	(8,995)	(10,186)
Sires Stakes receipts	10,081	9,020
Capital assets additions	(2,772)	—
Net cash applied to financing and investing	<u>(1,686)</u>	<u>(1,166)</u>
Net increase in cash	293,039	1,666
Cash at beginning of year	927,028	925,362
Cash at end of year	<u>\$ 1,220,067</u>	<u>\$ 927,028</u>

ALBERTA RACING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority and Purpose

The Alberta Racing Commission operates under the authority of the Racing Commission Act, Chapter R-1, Revised Statutes of Alberta 1980, to govern, direct, control and regulate horse racing in Alberta in any or all of its forms.

Note 2 Significant Accounting Policies and Reporting Practices

Capital Assets

Capital assets are reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis over 5 to 10 years which approximates useful life.

Reserves

The Commission appropriates amounts from accumulated excess of revenue over expenditure for specific requirements in subsequent fiscal years. These amounts are returned to accumulated excess of revenue over expenditure when the expenditure for which the appropriation was made is incurred, or as directed by the Commission.

Note 3 Change in Accounting Policy

In prior years, capital assets were not amortized. During the year the Commission changed its accounting policy to record amortization of capital assets. This change has been applied retroactively with restatement of prior years amounts and has had the effect of increasing expenditure by \$2,698 (1994 \$15,158) and decreasing capital assets and equity by \$91,523 (1994 \$89,713).

The impact of these changes on the surplus at the beginning of the year is as follows:

	1995	1994
Accumulated excess of revenue over expenditure and equity in capital assets at beginning of year, as previously reported	\$331,836	\$ 48,439
Accumulated amortization	<u>(89,713)</u>	<u>(74,555)</u>
Accumulated excess of revenue over expenditure (deficit) at beginning of year, as restated	<u>\$242,123</u>	<u>\$ (26,116)</u>

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. Interest is earned on the daily balance in the Fund at the average rate on Fund investments.

Note 5 Capital Assets

	1995			1994
	Cost	Accumulated Amortization	Net Value	Net Value
Furniture and equipment	<u>\$103,551</u>	<u>\$ 91,523</u>	<u>\$ 12,028</u>	<u>\$ 14,726</u>

Note 6 Pension Liability

The Commission participates with other employers in the Public Service Pension Plan. The Plan provides pensions for the Commission's employees based on years of service and earnings.

The Commission had an unfunded pension liability for the Plan as at March 31, 1995 estimated at \$67,000 (1994 \$58,000).

The total unfunded pension liability for the Plan as at March 31, 1995 was determined by an actuarial valuation as at December 31, 1993 extrapolated to March 31, 1995. The 1994 comparative figure was based on an extrapolation of a December 31, 1991 actuarial valuation.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for the Plan which will be funded by employers. The Commission's portion of the employers' liability was based on the Commission's percentage of the total pensionable payroll of all employers.

Note 7 Reserve

A revenue stabilization reserve was created pursuant to a Ministerial Order dated December 16, 1976 to compensate for sudden changes in economic conditions or other factors which might affect substantially the income and expenditure of the Commission.

	1995	1994
Revenue stabilization reserve	<u>\$300,000</u>	<u>\$300,000</u>

Note 8 Contributions by the Province of Alberta

	1995		1994
	Budget	Actual	Actual
Base grant	\$7,580,000	\$7,580,000	\$7,580,000
Administration expenses paid by the General Revenue Fund	—	41,325	41,325
	<u>\$7,580,000</u>	<u>\$7,621,325</u>	<u>\$7,621,325</u>

Note 9 Salaries, Wages and Employee Benefits

	1995				1994	
	Full-time Equivalents	Salary ^(a)	Benefits and Allowances ^(b)	Total	Full-time Equivalents	Total
Chairman ^(c)	0.83	\$ 62,689	\$ 1,456	\$ 64,145	1.00	\$ 81,000
Acting Chairman ^(c)	0.17	2,161	134	2,295	—	—
Members	5.66	60,511	3,519	64,030	6.00	71,656
Supervisor of Racing	1.00	51,946	7,462	59,408	1.00	60,744
Secretary	0.75	30,291	3,443	33,734	1.00	47,370
Secretary/Accountant	0.25	9,122	1,360	10,482	—	—
Other salaried staff:						
Racetrack (average 1995 \$49,717, 1994 \$51,162)	10.00	436,092	61,082	497,174	10.00	511,618
Administration (average 1995 \$29,095, 1994 \$29,781)	5.45	136,946	21,622	158,568	5.75	171,243
Non-salaried staff:						
Race track	—	132,547	4,860	137,407	—	177,481
Administration	—	21,009	1,215	22,224	—	26,633
	<u>24.11</u>	<u>\$ 943,314</u>	<u>\$ 106,153</u>	<u>\$1,049,467</u>	<u>24.75</u>	<u>\$1,147,745</u>

^(a) Salary includes regular base pay, overtime and vacation pay.

^(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments including Alberta Public Service and Canada pension plans; unemployment, group life, long-term disability, and accidental disability and dismemberment insurance; basic and extended health care insurance; and workers' compensation.

^(c) On January 31, 1995, the full-time Chairman retired and a member was appointed part-time Acting Chairman.

Note 10 Other Operating Expenditures

	1995		1994
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> (restated)
Travelling	\$129,500	\$126,876	\$127,402
Office and administration	64,700	135,050	105,196
Hearings and appeals	53,000	30,682	62,140
Licensee identification equipment and supplies	13,000	8,172	11,298
Security services, equipment and supplies	8,000	6,939	7,538
Equine toxicology	33,000	20,407	29,854
Human toxicology	10,000	9,424	10,509
Amortization (Note 3)	—	5,470	15,158
	<u>\$311,200</u>	<u>\$343,020</u>	<u>\$369,095</u>

Note 11 Budget

The 1994-95 budget was approved by the Commission on June 22, 1994.

Note 12 Continuing Operations

On February 1, 1995, the Minister Responsible for Racing announced that the organizational structure of the Alberta Racing Commission is under review. As of April 26, 1995, no decision affecting the structure of the Commission has been made.

Note 13 Comparative Figures

The 1994 figures have been reclassified where necessary to conform to 1995 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by the Acting Commission Chairman.

ALBERTA RESOURCES RAILWAY CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Operations
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Resources Railway Corporation

I have audited the balance sheet of the Alberta Resources Railway Corporation as at December 31, 1994 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

In my Auditor's Report dated March 8, 1994 on the Corporation's December 31, 1993 financial statements, I indicated that for the year ended December 31, 1993 my verification of tonnage rental revenue was limited to the amounts reported to the Corporation and I was not able to determine whether any adjustments might be necessary to tonnage rental revenue, excess of revenue over expenditure for the year, assets and liabilities.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 24, 1995

ALBERTA RESOURCES RAILWAY CORPORATION
BALANCE SHEET
DECEMBER 31, 1994

	1994	1993
ASSETS		
Cash	\$11,272,328	\$ 7,425,791
Accounts receivable	2	68,394
Receivable from Canadian National Railway (Note 3)	15,716,387	—
Investments	—	6,183,313
	<u>\$26,988,717</u>	<u>\$13,677,498</u>
LIABILITIES		
Accounts payable	\$ 15,992	\$ 16,699
Accrued interest payable	—	281,914
Payable to Canadian National Railway (Note 3)	—	3,740,094
Due to the Province of Alberta (Note 5)	26,972,725	1,169,791
	<u>26,988,717</u>	<u>5,208,498</u>
Debenture debt	—	8,469,000
	<u>\$26,988,717</u>	<u>\$13,677,498</u>
The accompanying notes are part of these financial statements.		

ALBERTA RESOURCES RAILWAY CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	<u>Budget</u> (Note 8)	<u>Actual</u> <u>Actual</u>
Revenue:		
Tonnage rental	\$ 6,555,000	\$ 6,555,100
Railway construction grants (Note 5)	3,312,000	3,837,906
Interest	150,000	193,181
Leases	37,000	35,811
Miscellaneous	13,000	14,993
	<u>10,067,000</u>	<u>10,787,980</u>
Expenditure:		
Write down of railway	3,312,000	4,715,902
Salaries and benefits (Note 6)	125,000	127,548
Interest on debentures	39,000	1,679,588
Other	25,000	36,307
	<u>3,501,000</u>	<u>6,559,345</u>
Excess of revenue over expenditure before gain on sale of railway assets and investment earnings	6,566,000	4,228,635
Gain on sale of railway assets (Note 3)	—	—
Investment earnings	76,000	1,964,049
Excess of revenue over expenditure for the year	6,642,000	6,192,684
Recovery by the Province of Alberta (Note 5)	(6,642,000)	(6,192,684)
	<u>\$ —</u>	<u>\$ —</u>

ALBERTA RESOURCES RAILWAY CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
Operating transactions:		
Excess of revenue over expenditure for the year	\$ 29,978,265	\$ 6,192,684
Add (deduct) non-cash items:		
Write down of railway	3,005,540	4,715,902
Gain on sale of railway assets	(23,039,881)	—
Amortization of realized net gains on investments	(20,321)	(241,417)
Decrease in receivables	68,392	38,467
Decrease in payables	(282,621)	(407,170)
(Increase) decrease in receivable from Canadian National Railway for tonnage rental (Note 3)	727,306	(184,039)
Cash payments to the Province (Note 5)	(1,169,791)	(700,241)
Interest earned on cash advances from the Province	—	19,826
Railway construction grants (Note 5)	(3,005,540)	(3,837,906)
Cash provided by operating transactions	<u>6,261,349</u>	<u>5,596,106</u>
Investing transactions:		
Proceeds on sale of railway assets	23,039,881	—
Additions to railway	(3,005,540)	(3,837,906)
Increase in (receivable from) payable to Canadian National Railway for sale of railway assets and additions to railway (Note 3)	(20,183,787)	2,275,900
Disposal of investments	<u>6,203,634</u>	<u>12,950,830</u>
Cash provided by investing transactions	<u>6,054,188</u>	<u>11,388,824</u>
Financing transaction:		
Debt retirement:		
Redemption of debentures	(8,469,000)	(16,531,000)
Cash applied to financing transaction	<u>(8,469,000)</u>	<u>(16,531,000)</u>
Increase in cash	3,846,537	453,930
Cash at beginning of year	7,425,791	6,971,861
Cash at end of year	<u>\$ 11,272,328</u>	<u>\$ 7,425,791</u>

ALBERTA RESOURCES RAILWAY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Alberta Resources Railway Corporation operates under the authority of the Alberta Resources Railway Corporation Act, Chapter A-36, Revised Statutes of Alberta 1980.

Note 2 Significant Accounting Policies and Reporting Practices

General

These financial statements have been prepared in accordance with generally accepted accounting principles except as follows:

(a) Railway

Railway additions which are funded by grants from the Province of Alberta are written down in the year of construction.

The railway asset was stated at cost less an amount written down, so that the net book value of the railway asset was equal to the amount of the outstanding debenture debt less the value of assets committed to the retirement of debenture debt.

(b) Investments

Investments were valued at cost less unamortized realized net gains. Realized gains and losses on disposals were considered to be an adjustment of future portfolio yield and were deferred and amortized on a straight-line basis over the lesser of ten years or the remaining term to maturity of the disposed investment.

Note 3 Accounts with Canadian National Railway

	1994	1993
Tonnage rental revenue	\$ 6,555,100	\$ 6,706,089
Cash receipts from CNR for tonnage rental	(7,282,406)	(6,522,050)
Operating transactions	(727,306)	184,039
Additions to railway	(3,005,540)	(3,837,906)
Cash payments to CNR for railway additions	4,149,446	1,562,006
Proceeds on sale of railway assets	23,039,881	—
Cash receipt from CNR for railway assets	(4,000,000)	—
Investing transactions	20,183,787	(2,275,900)
Net increase in receivable from (payable to) CNR	19,456,481	(2,091,861)
(Payable to) CNR at beginning of year	(3,740,094)	(1,648,233)
Receivable from (payable to) CNR at end of year	<u>\$15,716,387</u>	<u>\$ (3,740,094)</u>

In an agreement dated January 4, 1994, between the Corporation and Canadian National Railway (CNR), CNR was granted an option to purchase the Swan Landing-Grande Prairie Railway assets. The option was exercised by CNR effective December 1, 1994. Subject to Federal regulatory approval, the railway assets will be transferred to CNR effective January 1, 1995. Total sale proceeds of approximately \$30 million are comprised of \$4 million paid on execution of the option agreement and \$26 million payable, in annual instalments, to January 1, 2003.

The Corporation has estimated the present value of the total sale proceeds to be approximately \$23 million and has recorded this amount as the gain on sale of the railway assets at December 31, 1994. The balance of approximately \$7 million will be amortized and taken into income as annual instalments are received.

The first payment of \$3,093,350 is due on the date the sale closes which was expected to be no later than February 15, 1995. Due to a delay in obtaining Federal approval on the sale, interest is accumulating on this amount at prime plus 1% from February 15, 1995.

Note 4 Railway

	1994	1993
Accumulated cost at beginning of year	\$ 122,021,947	\$ 146,924,337
Additions to railway	3,005,540	3,837,906
Disposal of railway	(124,978,060)	(28,740,296)
Accumulated cost at end of year	49,427	122,021,947
Less accumulated write down	49,427	122,021,947
Net book value	<u>\$ —</u>	<u>\$ —</u>

Accumulated cost comprises the cost of land, railroad, buildings and improvements of a capital nature paid for by the Corporation, less disposals and a write down amount.

Swan Landing-Grande Prairie Railway

The Swan Landing-Grande Prairie Railway assets, except land not required for the operation of the railway, were leased to the Canadian National Railway (CNR) Company under the terms of an agreement dated October 1, 1965. The agreement required the payment of a tonnage rental to the Corporation based on the amount of freight "carried to and from the railway." The agreement was amended on January 27, 1994 when the Corporation and CNR agreed that CNR would pay a net amount to the Corporation for 1994 tonnage rental charges less capital improvement costs.

Note 5 Accounts with the Province of Alberta

	1994	1993
Due (to) from the Province at beginning of year	\$ (1,169,791)	\$ 504,572
Cash payments to the Province	1,169,791	700,241
Interest on cash advances from the Province	—	(19,826)
Railway construction grants	3,005,540	3,837,906
Recovery by the Province	(29,978,265)	(6,192,684)
Due to the Province at end of year	<u>\$(26,972,725)</u>	<u>\$ (1,169,791)</u>

The Department of Transportation and Utilities pays railway construction grants out of a supply vote. Any excess of revenue over expenditure reduces the cash outlay required, if any, by the Province and is shown as a recovery.

Note 6 Salaries and Benefits

	1994				1993	
	Number of Individuals	Fees & Salaries	Benefits & Allowances	Total	Number of Individuals	Total
Board members	8	\$ —	\$ —	\$ —	8	\$ 200
Managing director	1	45,000	2,400	47,400	1	47,400
Other full-time staff	2	77,004	—	77,004	2	79,948
		<u>\$122,004</u>	<u>\$ 2,400</u>	<u>\$124,404</u>		<u>\$127,548</u>

The Board includes 5 members (1993, 5 members) who are employees of the Province of Alberta and do not receive any compensation from the Corporation.

Note 7 Related Party Transactions

During the year, the Corporation paid \$12,606 (1993 \$12,974) for professional services rendered by one of the Board members.

Salaries of Treasury Department staff, accommodation and other overhead costs incurred in the administration of the Corporation have been borne by the Province of Alberta and are not reflected in these financial statements.

Note 8 Budget

The 1994 budget was approved by management in February 1994.

Note 9 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 10 Approval of Financial Statements

These financial statements have been approved by management.

ALBERTA INSURANCE COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Operating Surplus
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Members of the Alberta Insurance Council

I have audited the balance sheet of the Alberta Insurance Council as at December 31, 1994 and the statements of revenue, expenditure and operating surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 24, 1995

ALBERTA INSURANCE COUNCIL
BALANCE SHEET
DECEMBER 31, 1994

	<u>1994</u>	<u>1993</u>
ASSETS		
Current:		
Cash	\$1,243,518	\$1,042,903
Accounts receivable	1,317	—
Prepaid expenses	16,085	2,484
Inventory	—	2,680
	<u>1,260,920</u>	<u>1,048,067</u>
Capital assets (Note 3)	38,886	45,822
	<u><u>\$1,299,806</u></u>	<u><u>\$1,093,889</u></u>
LIABILITIES AND OPERATING SURPLUS		
Accounts payable	\$ 37,285	\$ 57,443
Due to the Province of Alberta (Note 4)	11,187	14,443
	<u>48,472</u>	<u>71,886</u>
Operating surplus	1,251,334	1,022,003
	<u><u>\$1,299,806</u></u>	<u><u>\$1,093,889</u></u>

The accompanying notes and schedule
are part of these financial statements.

ALBERTA INSURANCE COUNCIL
STATEMENT OF REVENUE, EXPENDITURE AND OPERATING SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993	
	Budget	Actual	Actual
Revenue			
Province of Alberta	\$ 896,750	\$ 999,810	\$ 964,080
Interest	30,000	68,929	56,222
Educational materials, net (Note 6)	5,000	4,541	10,043
Miscellaneous	15,000	5,240	17,970
	<u>946,750</u>	<u>1,078,520</u>	<u>1,048,315</u>
Expenditure			
Salaries and benefits (Schedule 1)	470,000	439,960	423,227
Council meetings	168,000	111,633	139,666
Occupancy	90,000	82,618	80,569
Freight and postage	40,000	37,212	36,724
Amortization and write-off of capital assets	—	27,588	15,016
Printing and stationery	40,000	25,174	24,180
Communications	20,000	22,673	17,268
Software development	25,000	22,603	10,415
Travel	21,400	15,805	17,545
Professional fees	25,000	13,945	16,246
Insurance	12,500	9,670	10,055
Equipment rental	—	5,911	6,371
Legal fees	50,000	1,551	5,413
Other	31,000	18,300	23,208
	<u>992,900</u>	<u>834,643</u>	<u>825,903</u>
Compensation claims and costs (Note 7)	—	14,546	13,666
	<u>992,900</u>	<u>849,189</u>	<u>839,569</u>
Excess (deficiency) of revenue over expenditure for the year	<u>\$ (46,150)</u>	229,331	208,746
Operating surplus at beginning of year		1,022,003	813,257
Operating surplus at end of year		<u>\$1,251,334</u>	<u>\$1,022,003</u>

ALBERTA INSURANCE COUNCIL
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
Operating activities:		
Operating surplus	\$ 229,331	\$ 208,746
Amortization and write-off of capital assets	27,588	15,016
Decrease in inventory	2,680	4,195
(Increase) decrease in prepaid expenses	(13,601)	5,203
(Increase) in accounts receivable	(1,317)	—
Increase (decrease) in accounts payable	(20,158)	3,686
Increase (decrease) in due to the Province of Alberta	(3,256)	106
Net cash from operations	<u>221,267</u>	<u>236,952</u>
Investing activities:		
Purchase of capital assets	(20,652)	(771)
Increase in cash	200,615	236,181
Cash at beginning of year	1,042,903	806,722
Cash at end of year	<u>\$1,243,518</u>	<u>\$1,042,903</u>

ALBERTA INSURANCE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Alberta Insurance Council operates under the authority of the Insurance Act, Chapter I-5, Revised Statutes of Alberta 1980, as amended.

The Alberta Insurance Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for regulating their segments of the insurance industry.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis at the following annual rates:

Furniture and office equipment	- 10%
Computer equipment	- 33 1/3%
Telephone equipment	- 20%

Computer software costs are charged to expense of the period in which they are incurred.

(b) Revenue, Province of Alberta

Pursuant to the delegation of certain licensing and administrative functions to it by the Superintendent of Insurance, the Council collects prescribed licensing and examination fees which it remits to the Provincial Treasurer. In return, the Council receives from the General Revenue Fund of the Province of Alberta an amount equal to 85% of the fees collected.

Note 3 Capital Assets

	1994			1993
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	\$ 61,864	\$ 36,191	\$ 25,673	\$ 30,185
Computer equipment	48,428	43,301	5,127	14,470
Telephone equipment	10,262	2,176	8,086	1,167
	<u>\$120,554</u>	<u>\$ 81,668</u>	<u>\$ 38,886</u>	<u>\$ 45,822</u>

During 1994, the Council increased its threshold for capitalizing assets from \$500 to \$1,000. In addition, it expensed all items under \$1,000 previously recorded as capital assets. Also in 1994, the Council changed its method of amortizing furniture and computer equipment from declining balance to straight-line. These changes had the effect of reducing the cost of capital assets by \$31,209 and accumulated amortization by \$23,601 at December 31, 1994 and increasing amortization expense for the year by \$13,875.

Note 4 Due to the Province of Alberta

The net balance at December 31 consists of:

	<u>1994</u>	<u>1993</u>
Licensing and examination fees due to the Province of Alberta	\$ 74,577	\$ 99,379
Due from the Province of Alberta for services rendered	<u>(63,390)</u>	<u>(84,936)</u>
	<u>\$ 11,187</u>	<u>\$ 14,443</u>

Note 5 Lease Commitments

The Council is committed to the following lease payments:

1995	\$85,410
1996	\$86,739
1997	\$86,739
1998	\$86,739
1999	\$86,739
2000	\$57,352

Note 6 Educational Materials, Net

	<u>1994</u>	<u>1993</u>
Sale of educational materials	\$ 28,471	\$ 49,398
Cost of goods sold	<u>(23,930)</u>	<u>(39,355)</u>
	<u>\$ 4,541</u>	<u>\$ 10,043</u>

Note 7 Compensation Claims and Costs

On June 4, 1992, the Council announced a plan to provide compensation for claims related to insured losses sustained by individuals affected by the actions of an Alberta insurance agency.

The Council has no mandate to provide compensation to the affected policyholders but has nevertheless deemed it appropriate in the interest of maintaining public faith in their industry. This action was approved by the Minister of Consumer and Corporate Affairs with the understanding that every effort will be made to ratify the Council's actions and provide a mechanism to deal with further problems of this nature if they occur.

Note 8 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 9 Budget

The 1994 budget was approved by the Alberta Insurance Council on November 26, 1993, and is presented for comparison with the 1994 actual figures.

Note 10 Approval of Financial Statements

These financial statements were approved by management.

ALBERTA INSURANCE COUNCIL
SCHEDULE OF SALARIES AND BENEFITS
DECEMBER 31, 1994

PER DIEM PAYMENTS TO COUNCIL MEMBERS

	1994		1993	
	# of Individuals	Total	# of Individuals	Total
Councils ^(a)				
Chairs	4	\$19,200	4	\$22,950
Council Members	19	60,900	19	63,600
	<u>23</u>	<u>\$80,100</u>	<u>23</u>	<u>\$86,550</u>

^(a) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council and the Insurance Adjusters Council.

SALARIES AND BENEFITS

	1994				1993	
	# of Individuals	Salary ^(b)	Benefits and Allowances ^(c)	Total	# of Individuals	Total
General Manager	1	\$ 53,292	\$ 5,757	\$ 59,049	1	\$ 76,119
Assistant Manager	—	—	—	—	1	51,999
Manager of Compliance	1	45,141	5,763	50,904	1	45,267
Full-time staff ^(d)	11	283,956	42,001	325,957	8	238,843
Part-time staff	2	3,809	241	4,050	2	10,999
	<u>15</u>	<u>\$386,198</u>	<u>\$ 53,762</u>	<u>\$439,960</u>	<u>13</u>	<u>\$423,227</u>

^(b) Salary includes regular base pay, bonuses, overtime and accrued vacation pay. Accrued vacation pay for 1994 \$2,682 (1993 \$21,723).

^(c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, dental coverage, group life insurance, and long and short-term disability plans.

^(d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary for 1994 \$31,929 (1993 \$28,329).

ALBERTA MUNICIPAL FINANCING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Revenue, Expenditure and Retained Earnings
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Long-term Debt
Schedule of Sinking Fund Assets

AUDITOR'S REPORT

To the Shareholders of the
Alberta Municipal Financing Corporation

I have audited the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1994 and the statements of revenue, expenditure and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 17, 1995

ALBERTA MUNICIPAL FINANCING CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Cash	\$ 12,636	\$ 49,797
Short-term investments	—	26,361
Accrued interest receivable	217,547	223,285
Loans to local authorities (Note 3)	<u>5,154,082</u>	<u>5,272,334</u>
	<u>\$5,384,265</u>	<u>\$5,571,777</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accrued interest payable	\$ 106,056	\$ 110,017
Long-term debt (Note 4 and Schedule 1)	5,016,271	5,193,302
Less: Sinking fund assets (Note 5 and Schedule 2)	<u>277,421</u>	<u>242,328</u>
Net long-term debt	<u>4,738,850</u>	<u>4,950,974</u>
	<u>4,844,906</u>	<u>5,060,991</u>
Shareholders' equity:		
Share capital (Note 6):		
Authorized:		
7,500 common shares, par value \$10 per share		
Issued and fully paid:		
6,483 shares (1993 6,493 shares)	65	65
Retained earnings	<u>539,294</u>	<u>510,721</u>
	<u>539,359</u>	<u>510,786</u>
	<u>\$5,384,265</u>	<u>\$5,571,777</u>

M.J. Schmitke
President & Chairman of the Board

A.J. McPherson
Vice-President

The accompanying notes are part
of these financial statements.

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
	Budget	Actual
	(Note 9)	Actual
Revenue:		
Interest on loans	\$ 568,268	\$ 566,262
Investment income on sinking fund assets	26,000	30,593
Amortization of loan discounts (Note 7)	9,019	9,019
Interest on deposits and short-term notes	2,000	1,753
Fees on loan prepayments	<u>2,000</u>	<u>1,440</u>
	<u>607,287</u>	<u>629,839</u>
Expenditure:		
Interest on long-term debt	581,897	575,370
Amortization of promissory note discounts	2,000	3,212
Amortization of long-term debt discounts	1,000	1,604
Administration and office expense	296	263
Debt issue and service expenses	50	30
Directors' and officers' fees and expenses (Note 8)	<u>12</u>	<u>15</u>
	<u>585,255</u>	<u>580,494</u>
Excess of revenue over expenditure for the year	22,032	28,573
Retained earnings, beginning of year	<u>510,721</u>	<u>510,721</u>
	<u>532,753</u>	<u>539,294</u>
Distribution of retained earnings to shareholders	—	—
Retained earnings, end of year	<u>\$ 532,753</u>	<u>\$ 539,294</u>
	<u>\$ 532,753</u>	<u>\$ 539,294</u>

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
Operating transactions:		
Excess of revenue over expenditure for the year	\$ 28,573	\$ 44,013
Add (deduct) non-cash items:		
Amortization of premiums and discounts on sinking fund investments	(24,733)	(24,025)
Decrease in accrued interest, net	1,777	4,349
Amortization of loan discounts	(9,019)	(2,151)
Amortization of promissory note discounts	3,212	1,954
Amortization of long-term debt discounts	1,604	1,086
Cash provided by operating transactions	<u>1,414</u>	<u>25,226</u>
Investing transactions:		
Loan repayments	413,614	553,782
New loans	(286,343)	(508,984)
Discount on loans	—	62,097
Short-term investments	26,361	(26,361)
Cash provided by investing transactions	<u>153,632</u>	<u>80,534</u>
Financing transactions:		
Debt issue:		
Promissory notes payable to the Provincial Treasurer	—	253,401
Long-term debt, public	19,683	110,645
Short-term notes payable	383,788	134,645
Debt retirement:		
Redemption of promissory notes to Provincial Treasurer, at par	—	(255,000)
Redemption of long-term debt	(198,318)	(137,433)
Redemption of short-term notes, at par	(387,000)	(135,000)
Liquidation of sinking fund assets, net	(10,360)	44,452
Cash provided by (applied to) financing transactions	<u>(192,207)</u>	<u>15,710</u>
Distribution of retained earnings to shareholders	—	(100,097)
Increase (decrease) in cash	(37,161)	21,373
Cash at beginning of year	49,797	28,424
Cash at end of year	<u>\$ 12,636</u>	<u>\$ 49,797</u>

ALBERTA MUNICIPAL FINANCING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Sinking Fund Investments

Sinking fund investments are recorded at cost. The cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Realized gains and losses on disposals of sinking fund investments are included in the determination of investment income. The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Investment income on sinking fund investments accrues to the sinking fund.

(b) Long-term Debt Discounts

Long-term debt discounts, including underwriting commission, arising on the issue of long-term debt are deferred and amortized over the term of the long-term debt. Public long-term debt issue expenses are charged against income as they arise.

Long-term debt is recorded net of sinking fund assets and unamortized discounts.

(c) Promissory Note Discounts

Promissory note discounts are amortized over the term of the notes.

(d) Discounts on Loans to Local Authorities

Discounts on loans to local authorities are amortized to income over the remaining term of the loans. Annual amortization is the change in the present value of the interest rate reduction.

Note 3 Loans to Local Authorities

	1994	1993
	(thousands of dollars)	
Loans to local authorities	\$5,205,009	\$5,332,280
Less: Unamortized discount (Note 7)	50,927	59,946
	<u>\$5,154,082</u>	<u>\$5,272,334</u>

Loans to local authorities amounting to \$401,430,000 are due in 1995 (1994 \$373,568,000).

Note 4 Long-term Debt

(a) The long-term debt of the Corporation is fully guaranteed by the Province of Alberta.

(b) Long-term debt amounting to \$3,935,242,000 held by the Canada Pension Plan Investment Fund is redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing to the Provincial Treasurer and observing the other redemption provisions of the long-term debt.

(c) Sinking fund and long-term debt redemption requirements during each of the next five years are as follows:

	Sinking Fund	Long-term Debt Redemption	Total
	(thousands of dollars)		
1995	\$ 4,500	\$ 237,694	\$ 242,194
1996	4,500	206,685	211,185
1997	4,500	175,457	179,957
1998	4,500	226,645	231,145
1999	4,500	294,206	298,706
	<u>\$ 22,500</u>	<u>\$1,140,687</u>	<u>\$1,163,187</u>

Note 5 Sinking Fund Assets

Sinking fund assets relate to the \$450,000,000 December 15, 2002 public issue of long-term debt.

Note 6 Share Capital

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of shares		Total Dollar Amount
		Authorized	Issued and Fully Paid	
A	Provincial Treasurer	4,500	4,500	\$45,000
B	Municipalities and hospitals	1,000	936	9,360
C	Cities	750	578	5,780
D	Towns and villages	750	315	3,150
E	Schools, universities and colleges	500	154	1,540
		<u>7,500</u>	<u>6,483</u>	<u>\$64,830</u>

1 Class B and 1 Class E share were issued and 12 Class E shares were cancelled during the year at \$10.00 each.

Note 7 Unamortized Discounts

Effective July 1, 1993, the Corporation reduced interest rates to 12% for the remaining terms of all outstanding loans with rates greater than 12%. The present value of the rate reduction was \$62,097,000 at July 1, 1993 and was recorded as a discount in 1993. This discount is being amortized to income throughout the remaining terms of these loans.

Note 8 Directors' Fees

Directors' fees paid by the Corporation are as follows:

	1994		1993	
	<u>No. of Individuals</u>	<u>Total</u>	<u>No. of Individuals</u>	<u>Total</u>
Chairman of the Board	1	\$1,500	1	\$3,600
Board Members	8	\$4,100	8	\$3,500

Three of the Board members are employees of the Province of Alberta and do not receive compensation from the Corporation.

The Corporation has no employees. An administration fee is paid to the Province of Alberta for management services.

Note 9 Budget

The 1994 budget was approved by the Board of Directors on April 21, 1994.

Note 10 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.

Schedule 1

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF LONG-TERM DEBT
AS AT DECEMBER 31, 1994
(thousands of dollars)

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>
Province of Alberta				
Nov 1, 1979	Nov 1, 1999	11.70%	\$ 70,000	\$ 70,000
Mar 3, 1980	Mar 3, 2000	13.45	35,000	35,000
Aug 15, 1980	Aug 15, 2000	13.20	35,000	35,000
Total				<u>140,000</u>
Canada Pension Plan Investment Fund (Note 4(b))				
Nov 14, 1975	Oct 1, 1995	8.79	137,694	137,694
Oct 15, 1976	Sep 1, 1996	9.06	140,685	140,685
Oct 14, 1977	Sep 1, 1997	9.06	163,457	163,457
Oct 16, 1978	Sep 1, 1998	9.31	176,645	176,645
Nov 15, 1979	Oct 1, 1999	10.04	219,206	219,206
Nov 14, 1980	Oct 1, 2000	12.35	222,367	222,367
Sep 15, 1981	Aug 1, 2001	14.18	216,739	216,739
Jun 1, 1982	Jun 1, 2002	15.75	274,735	274,735
Apr 5, 1983	Apr 5, 2003	13.82	209,284	209,284
Dec 1, 1983	Dec 1, 2003	11.50	231,739	231,739
Dec 3, 1984	Dec 3, 2004	13.25	338,491	338,491
Nov 1, 1985	Nov 1, 2005	11.66	283,604	283,604
Nov 3, 1986	Nov 3, 2006	9.85	395,396	395,396
Nov 2, 1987	Nov 2, 2007	9.66	335,383	335,383
Oct 3, 1988	Oct 3, 2008	10.04	259,294	259,294
Oct 2, 1989	Oct 2, 2009	9.99	291,414	291,414
Nov 1, 1989	Nov 1, 2009	9.62	32,457	32,457
Dec 1, 1989	Dec 1, 2009	9.26	6,652	6,652
Total				<u>3,935,242</u>
Public, payable in Canadian dollars				
Dec 17, 1979	Dec 15, 2000	11.85	70,000	70,000
Jul 2, 1980	Jul 3, 2000	11.75	30,000	30,000
Dec 1, 1980	Dec 1, 2000	13.65	50,000	50,000
Mar 2, 1981	Mar 2, 2001	14.10	30,000	30,000
Jun 15, 1981	Jun 15, 2001	16.25	85,000	85,000
Jan 18, 1983	Dec 15, 2002	12.25	450,000	450,000
Mar 23, 1992	Mar 23, 1995	8.00	100,000	100,000
Nov 1, 1993	Nov 1, 1996	4.75	5,000	5,000
Nov 1, 1993	Nov 1, 1996	5.00	10,000	10,000
Nov 1, 1993	Nov 1, 1996	5.25	5,000	5,000
Nov 2, 1993	Nov 2, 1998	6.00	2,000	2,000
Nov 4, 1993	Nov 4, 1998	5.50	8,000	8,000
Nov 4, 1993	Nov 4, 1998	5.50	5,000	5,000
Nov 12, 1993	Nov 12, 1997	6.00	2,000	2,000
Nov 15, 1993	Nov 15, 1996	4.50	5,000	5,000
Nov 15, 1993	Nov 15, 1996	4.50	5,000	5,000
Nov 15, 1993	Nov 15, 1996	4.50	10,000	10,000
Nov 15, 1993	Nov 15, 1996	4.50	5,000	5,000
Nov 15, 1993	Nov 15, 1996	4.50	10,000	10,000
Nov 16, 1993	Nov 4, 1998	5.50	5,000	5,000
Nov 16, 1993	Nov 4, 1998	5.50	5,000	5,000
Nov 18, 1993	Nov 18, 1998	6.00	10,000	10,000
Nov 18, 1993	Nov 18, 1998	6.00	10,000	10,000
Nov 18, 1993	Nov 18, 1998	6.00	10,000	10,000
Nov 18, 1993	Nov 18, 1998	6.00	5,000	5,000
Nov 25, 1993	Nov 25, 1996	5.00	5,000	5,000
Nov 26, 1993	Nov 15, 1996	4.50	1,000	1,000
Mar 23, 1994	Mar 23, 1999	6.25	1,000	1,000
Mar 21, 1994	Mar 21, 1997	5.00	5,000	5,000
Mar 23, 1994	Mar 23, 1999	6.25	4,000	4,000
Mar 23, 1994	Dec 18, 1996	6.00	5,000	5,000
Mar 21, 1994	Mar 21, 1997	6.00	5,000	5,000
Total				<u>948,000</u>
				<u>5,023,242</u>
Less: Unamortized long-term debt discount				6,971
Total long-term debt				<u>\$5,016,271</u>

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF SINKING FUND ASSETS
AS AT DECEMBER 31, 1994
(thousands of dollars)

	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
Investments:			
Bonds and debentures:			
Government of Canada, direct and guaranteed	\$15,385	\$ 15,725	\$ 17,322
Provincial, guaranteed:			
Alberta Municipal Financing Corporation	1,933	2,321	2,180
Other	50,000	27,836	25,313
Bond coupons and residuals:			
Government of Canada, direct		75,318	69,198
Provincial, direct		151,953	142,299
Total		<u>273,153</u>	<u>256,312</u>
Other assets:			
Cash		4,104	4,104
Accrued interest receivable		164	164
Total		<u>4,268</u>	<u>4,268</u>
Total 1994		<u>\$277,421</u>	<u>\$260,580</u>
Total 1993		<u>\$242,328</u>	<u>\$274,647</u>

SECTION 2

1994-95 PUBLIC ACCOUNTS

COMMERCIAL ENTERPRISES - FINANCIAL STATEMENTS

Contents:	Page
Introduction	222
Economic Development and Tourism:	
Alberta Intermodal Services Ltd.	223
Labour:	
The Workers' Compensation Board	227
Transportation and Utilities:	
Alberta Liquor Control Board	237
Treasury:	
The Alberta General Insurance Company	244
The Alberta Government Telephones Commission	247
Credit Union Deposit Guarantee Corporation	254
N.A. Properties (1994) Ltd.	262
S C Financial Ltd.	268
Treasury Branches Deposits Fund	271
473654 Alberta Ltd. (in liquidation)	279
496072 Alberta Ltd. and NFI Finance, Inc.	284

COMMERCIAL ENTERPRISES - FINANCIAL STATEMENTS

Introduction:

The Provincial corporations and enterprises included in this section operate on the basis of full cost supported by charges for goods or services with no subsidy from the General Revenue Fund.

The basis of accounting used by commercial enterprises is significantly different from that used for the General Revenue Fund. Adjusting financial statements of commercial enterprises to this different basis would result in the write-off of significant revenue earning assets. Commercial enterprises are included in the consolidated financial statements on an equity basis whereby the Government's investment is adjusted for unremitted earnings and to reflect its share of capital transactions including loans to or from the enterprise.

ALBERTA INTERMODAL SERVICES LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Net Earnings and Retained Earnings
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Shareholder of Alberta
Intermodal Services Ltd.

I have audited the balance sheet of Alberta Intermodal Services Ltd. as at December 31, 1994 and the statements of net earnings and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 27, 1995

ALBERTA INTERMODAL SERVICES LTD.
BALANCE SHEET
DECEMBER 31, 1994
(thousands of dollars)

	<u>1994</u>	<u>1993</u>
ASSETS		
Current:		
Cash	\$ 165	\$4,129
Accounts receivable:		
Trade	3	975
Sale of equipment	—	177
Prepaid expenses	—	16
Current portion of lease receivable (Note 4)	<u>15</u>	<u>17</u>
	183	5,314
Long-term portion of lease receivable (Note 4)	57	67
Capital assets (Note 5)	<u>1,900</u>	<u>2,134</u>
	<u>\$2,140</u>	<u>\$7,515</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current:		
Accounts payable and accrued liabilities	\$ 6	\$ 605
Current portion of capital lease obligation	<u>—</u>	<u>22</u>
	6	627
Capital lease	<u>—</u>	<u>73</u>
Shareholder's equity:		
Share capital (Note 6)	1,332	5,000
Retained earnings	<u>802</u>	<u>1,815</u>
	<u>2,134</u>	<u>6,815</u>
	<u>\$2,140</u>	<u>\$7,515</u>

The accompanying notes are part
of these financial statements.

Approved on behalf of the Board:
Stan Schellenberger Director
B. G. Williams Director

ALBERTA INTERMODAL SERVICES LTD.
STATEMENT OF NET EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	<u>1994</u>	<u>1993</u>
Net loss before the following:	\$ —	\$ 692
Other income:		
Interest	260	1,518
Lease revenue	138	—
Recovery of doubtful accounts	<u>116</u>	<u>—</u>
	514	1,518
Expenses:		
Administrative expenditure	93	154
Environmental damage repair	84	—
Loss on sale of capital assets (Note 5)	18	632
Write down of capital assets	—	1,838
Write down of deferred charges	—	389
Employee severance	—	386
Litigation settlement	<u>—</u>	<u>50</u>
	195	3,449
Net earnings (loss) for the year	319	(2,623)
Retained earnings at beginning of year	1,815	4,438
Excess of redemption value over book value of common shares redeemed (Note 6)	(1,332)	—
Retained earnings at end of year	<u>\$ 802</u>	<u>\$ 1,815</u>

ALBERTA INTERMODAL SERVICES LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	<u>1994</u>	<u>1993</u>
Operating activities:		
Net earnings (loss) for the year	\$ 319	\$ (2,623)
Loss on sale of capital assets	18	632
Write down of capital assets	—	1,838
Amortization	—	587
Write down of deferred charges	—	389
	<u>337</u>	<u>823</u>
Net change in non-cash working capital	<u>546</u>	<u>795</u>
	<u>883</u>	<u>1,618</u>
Financing activities:		
Redemption of shares	(5,000)	(27,267)
Repayments of capital lease	(73)	(121)
Lease receivable	10	(67)
Proceeds from capital lease	—	99
	<u>(5,063)</u>	<u>(27,356)</u>
Investing activities:		
Proceeds on sale of capital assets	216	10,358
Purchase of capital assets	—	(99)
Additions to deferred charges	—	(26)
	<u>216</u>	<u>10,233</u>
Increase (decrease) in cash during the year	<u>(3,964)</u>	<u>(15,505)</u>
Cash at beginning of year	<u>4,129</u>	<u>19,634</u>
Cash at end of year	<u>\$ 165</u>	<u>\$ 4,129</u>

ALBERTA INTERMODAL SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Company was incorporated under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981.

All the issued common shares of the Company are held by the Province of Alberta and accordingly the Company is exempt from income tax.

Note 2 Discontinuance of Operations

The Company ceased operations on December 1, 1993 and has since undertaken the sale or lease of its remaining assets. The corporate entity will remain in existence until all assets have been sold. The Department of Economic Development and Tourism has provided management services subsequent to February 28, 1994. The cost of these services are not reflected in these financial statements.

Note 3 Significant Accounting Policies

Capital Assets

Capital assets have been written down to estimated net recoverable value.

Note 4 Leases of Calgary Land, Yard Improvements and Building

These assets have been leased to CP Rail Ltd., for five year terms under two separate contracts.

The land and yard improvements are leased for \$133,000 per year, payable monthly until October 31, 1998. The lessee has an option to purchase the property for \$1,900,000 at any time during the lease. This is an operating lease and accordingly the property remains classified as a capital asset.

Future payments receivable under this lease are as follows:

	(thousands of dollars)
1995	\$133
1996	133
1997	133
1998	111
	<u>\$510</u>

The building is leased for \$20,000 per year, until February 28, 1999 with a \$1 purchase option. This lease is classified as a sales type lease and accordingly the asset is classified as a lease receivable.

Future payments receivable under this lease are as follows:

	(thousands of dollars)
1995	\$20
1996	20
1997	20
1998	20
1999	3
	<u>83</u>
Less amount representing imputed interest averaging 7%	11
Net present value of lease receivable	72
Less current portion of lease receivable	15
Long-term portion of lease receivable	<u>\$57</u>

Note 5 Capital Assets

	1994				1993	
	Cost	Accumulated Amortization	Sale Proceeds	Gain (loss) on Sale	Net	Net
	(thousands of dollars)					
Land and yard improvements						
- Calgary	\$2,286	\$ 386	\$ —	\$ —	\$1,900	\$1,900
- Coultts	5	—	5	—	—	5
Chassis	189	—	188	(1)	—	189
Office furniture and equipment	217	217	7	7	—	—
Computer equipment						
- Owned	245	240	6	1	—	5
- Under capital lease	72	37	10	(25)	—	35
	<u>\$3,014</u>	<u>\$ 880</u>	<u>\$ 216</u>	<u>\$ (18)</u>	<u>\$1,900</u>	<u>\$2,134</u>

Calgary land and yard improvements have been leased to CP Rail Ltd. (see Note 4).

Note 6 Share Capital

The Company has authorized unlimited common shares without par value.

As at December 31, 1994, 1,332 common shares were issued and outstanding for \$1,332,000 (1993 \$5,000,000). During 1994, 3,668 shares were redeemed by the Company for \$5,000,000 which was paid to the Province of Alberta. The excess of the redemption amount over book value has been charged to retained earnings.

Note 7 Contingency and Commitments

A claim in the amount of \$8,000 has been made against the Company for severance pay by a former employee. Management believes that it has a valid defense against this claim. Any settlement is expected to be accounted for as a charge to income of the period in which the settlement occurs.

Note 8 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

THE WORKERS' COMPENSATION BOARD
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Operations and Fund Balance
Statement of Cash Flows
Notes to the Financial Statements
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Directors of
The Workers' Compensation Board

I have audited the balance sheet of The Workers' Compensation Board as at December 31, 1994 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 10, 1995

THE WORKERS' COMPENSATION BOARD
BALANCE SHEET
AS AT DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Cash	\$ 191,467	\$ 90,483
Receivables (Note 3)	63,346	32,513
Investments (Note 4)	2,297,929	2,062,484
Capital assets (Note 5)	<u>38,032</u>	<u>41,682</u>
	<u>\$2,590,774</u>	<u>\$2,227,162</u>
LIABILITIES AND FUND BALANCE		
Payables and accruals (Note 6)	\$ 36,902	\$ 32,384
Deferred revenue	65,001	53,046
Claim benefit liabilities (Note 7)	2,402,100	2,411,900
Provincial pension plans (Note 8)	<u>6,637</u>	<u>6,652</u>
	2,510,640	2,503,982
Fund balance (unfunded liability)	<u>80,134</u>	<u>(276,820)</u>
	<u>\$2,590,774</u>	<u>\$2,227,162</u>

Contingencies (Note 15)

The accompanying notes and schedules are part of these financial statements.

On behalf of the Board of Directors:

Betty L. Screpnik
Chair, Board of Directors

John Cowell, MD
President and Chief Executive Officer

THE WORKERS' COMPENSATION BOARD
STATEMENT OF OPERATIONS AND FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994			1993
		Actual		Actual
	Budget	Current Year Injuries	Prior Years' Injuries	Total
Revenue				Total
Premiums	\$ 503,200	\$ 516,784	\$ 30,167	\$ 546,951
Province of Alberta (Note 7)	—	—	26,200	26,200
Investment (Note 9)	<u>225,000</u>	<u>3,000</u>	<u>219,790</u>	<u>222,790</u>
	<u>728,200</u>	<u>519,784</u>	<u>276,157</u>	<u>795,941</u>
Expenditure				
Claim costs (Note 7)	547,400	302,599	2,816	305,415
Claim costs - Province of Alberta (Note 7)	—	—	26,200	26,200
Administration expenses (Note 10)	86,400	83,263	—	83,263
Injury reduction (Note 12)	13,000	19,993	1,634	21,627
Appeals Commission (Note 13)	<u>2,400</u>	<u>2,482</u>	<u>—</u>	<u>2,482</u>
	<u>649,200</u>	<u>408,337</u>	<u>30,650</u>	<u>438,987</u>
Operating surplus	<u>\$ 79,000</u>	<u>\$ 111,447</u>	<u>\$ 245,507</u>	356,954
Fund balance (unfunded liability) at beginning of year				<u>(276,820)</u>
Fund balance (unfunded liability) at end of year (Note 7 of Schedule A)				<u>\$ 80,134</u>
				<u>\$ (276,820)</u>

THE WORKERS' COMPENSATION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994		1993
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Cash flow from operating activities			
Cash received from:			
Employers for premiums	\$ 503,000	\$ 538,082	\$ 511,245
Province of Alberta (Note 7)	—	1,441	—
Dividends and interest	<u>110,000</u>	<u>82,857</u>	<u>18,361</u>
	<u>613,000</u>	<u>622,380</u>	<u>529,606</u>
Cash paid to:			
Claimants, or third parties on their behalf	422,000	341,415	399,931
Employees and suppliers, for administrative and other goods and services	74,500	71,728	67,132
Injury reduction	<u>16,000</u>	<u>18,430</u>	<u>16,725</u>
	<u>512,500</u>	<u>431,573</u>	<u>483,788</u>
Net cash provided from operating activities	<u>100,500</u>	<u>190,807</u>	<u>45,818</u>
Cash flow from investing activities			
Cash received from:			
Sale and maturity of investments	<u>125,000</u>	<u>633,797</u>	<u>320,556</u>
Cash paid for:			
Purchase of investments	254,000	717,723	274,284
Purchase of capital assets, net	<u>7,700</u>	<u>5,897</u>	<u>4,879</u>
	<u>261,700</u>	<u>723,620</u>	<u>279,163</u>
Net cash provided from (used for) investing activities	<u>(136,700)</u>	<u>(89,823)</u>	<u>41,393</u>
Net increase (decrease) in cash	(36,200)	100,984	87,211
Cash at beginning of year	90,483	90,483	3,272
Cash at end of year	<u>\$ 54,283</u>	<u>\$ 191,467</u>	<u>\$ 90,483</u>

THE WORKERS' COMPENSATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Workers' Compensation Board operates under the authority of the Workers' Compensation Act, Statutes of Alberta 1981, Chapter W-16, as amended.

The mission of the Board is to minimize the impact of work-related injuries on workers and employers by efficiently providing effective compensation and rehabilitation services and together with our clients, promoting injury prevention.

While The Workers' Compensation Board is a statutory corporation of the Province, it does not receive government funding.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(b) Premiums

Premiums include revisions to 1993 premiums based on actual payrolls for 1993 as reported by employers during 1994, and a provision for estimated revisions to 1994 premiums based on actual 1994 payrolls reported by employers, changes in the employers' accident experience, and payroll audits completed subsequent to the end of the year.

(c) Investments

Fixed term investments are stated at amortized cost. Gains and losses realized on disposal of fixed term investments are deferred and amortized on a straight-line basis over the remaining period to maturity of the disposed investment.

Equity investments and pooled investment equities are stated at moving average market value. Gains and losses realized on disposal of equity investments and pooled investment equities together with unrealized gains and losses occurring during the year, are deferred and amortized on a straight-line basis over a five year period.

(d) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, except for those investments which are recorded at moving average market values.

(e) Cash

Cash includes deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

(f) Capital Assets

Capital assets are reported at cost and are amortized over their estimated useful lives. The rates used are as follows:

Buildings	2 1/2% straight-line
Equipment - Computer	35% diminishing balance
- Furniture and other	15% diminishing balance
- Vehicles	20% straight-line
Computer software	straight-line over expected useful life

(g) Claim Benefit Liabilities

Claim benefit liabilities are independently reviewed by an external actuary as at December 31, 1994 and represent the actuarial present value of all future benefit payments expected to be made for claims which have occurred in respect of current and prior years' injuries. These benefits are expressed in constant dollars discounted at 3.5% per annum, being the difference between expected investment earnings and inflation, except for health care costs which are discounted at 1.5% to reflect expected higher increases in health care costs and utilization.

The benefit liabilities include provision for all benefits provided by current legislation, policies and administrative practices. No provision has been made for claims related to latent occupational diseases which may be made and considered as occurring in the year of disablement, or for future expenses for administration of claims.

(h) Salaries and Employee Benefits

Salaries and employee benefits include the cost of the provincial pension plans incurred on behalf of the Board's employees during the year and interest on the portion of the unfunded liability for provincial pension plans. This liability has been recorded as directed by the Provincial Treasurer under section 12 of the Financial Administration Act.

Note 3 Receivables

	1994	1993
	(thousands of dollars)	
Premiums	\$ 7,190	\$ 6,893
Accrued premiums	27,757	19,185
Due from Province of Alberta	25,708	4,125
Other	2,691	2,310
	<u>\$63,346</u>	<u>\$32,513</u>

Due from Province of Alberta includes a receivable of \$25,021,000 associated with the settlement of the liability for pre-April 1, 1986 accidents relating to Provincial Government workers as described in Note 7.

Note 4 Investments

	1994		1993	
	(thousands of dollars)		(thousands of dollars)	
	Book Value	Market Value	Book Value	Market Value
Pooled investment equities				
Bond pool	\$ 846,029	\$ 814,626	\$ 863,966	\$ 936,211
Mortgage pool	84,402	79,409	87,571	91,701
Real estate equity pool	84,085	66,800	85,239	72,154
Equity pool	1,119,947	1,150,773	875,949	1,027,210
Balanced pool	26,970	26,997	24,600	27,874
	<u>2,161,433</u>	<u>2,138,605</u>	<u>1,937,325</u>	<u>2,155,150</u>
Equities	12,638	12,996	12,439	13,200
Fixed term investments	122,418	109,926	79,367	84,853
Short-term securities	—	—	32,914	32,974
Accrued interest	1,440	1,440	439	439
	<u>\$2,297,929</u>	<u>\$2,262,967</u>	<u>\$2,062,484</u>	<u>\$2,286,616</u>

Included in the above book value is \$618.1 million (\$421.9 million in 1993) of foreign investments.

Note 5 Capital Assets

	1994			1993
	(thousands of dollars)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,238	\$ —	\$ 1,238	\$ 1,238
Buildings	25,407	7,728	17,679	17,409
Equipment	28,828	18,634	10,194	10,570
Computer software	31,839	22,918	8,921	12,465
	<u>\$87,312</u>	<u>\$49,280</u>	<u>\$38,032</u>	<u>\$41,682</u>

Note 6 Payables and Accruals

	1994	1993
	(thousands of dollars)	
Voluntary Incentive Plan	\$10,836	\$ 7,639
Accrued staff benefits	7,191	9,368
Mortgage	1,959	2,070
Other	16,916	13,307
	<u>\$36,902</u>	<u>\$32,384</u>

The mortgage payable, with an interest rate of 9.8%, is secured by land and building and matures on November 1, 1999. The balance payable on maturity is \$1,209,164. The mortgage requires monthly payments of interest and principal in the amount of \$25,457.

Note 7 Claim Benefit Liabilities

	1994						1993
	(thousands of dollars)						
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Total	Total
Balance at beginning of year	\$ 393,900	\$1,222,300	\$ 372,000	\$ 299,200	\$ 124,500	\$2,411,900	\$2,447,300
Add: Claim costs incurred:							
Current year injuries	120,879	73,827	11,423	71,794	24,676	302,599	340,363
Prior years' injuries	(12,914)	37,144	12,676	(11,279)	(22,811)	2,816	24,168
	<u>107,965</u>	<u>110,971</u>	<u>24,099</u>	<u>60,515</u>	<u>1,865</u>	<u>305,415</u>	<u>364,531</u>
Province of Alberta liability	2,000	14,200	5,000	4,200	800	26,200	—
	<u>503,865</u>	<u>1,347,471</u>	<u>401,099</u>	<u>363,915</u>	<u>127,165</u>	<u>2,743,515</u>	<u>2,811,831</u>
Deduct: Claim payments made:							
Current year injuries	46,579	63	417	26,194	1,075	74,328	80,264
Prior years' injuries	78,286	87,108	30,182	48,121	23,390	267,087	319,667
	<u>124,865</u>	<u>87,171</u>	<u>30,599</u>	<u>74,315</u>	<u>24,465</u>	<u>341,415</u>	<u>399,931</u>
Balance at end of year	<u>\$ 379,000</u>	<u>\$1,260,300</u>	<u>\$ 370,500</u>	<u>\$ 289,600</u>	<u>\$ 102,700</u>	<u>\$2,402,100</u>	<u>\$2,411,900</u>

On November 1, 1994, following negotiations between the Province of Alberta and the Board, the Province agreed to pay the Board \$26,200,000 relating to pre-April 1, 1986 accident claims previously administered by the Board on behalf of the Province under a self-insured employee account. The Board recorded the amount of the settlement as revenue and charged a corresponding amount to claim costs at the time of the settlement.

Liability for health care includes basic health services for injured workers payable to the Alberta Health Care Insurance Fund. Reimbursements in the amount of \$6,680,000 were made in 1994 (\$10,090,000 in 1993).

The following is a reconciliation of the claim benefit liabilities (thousands of dollars):

Balance at beginning of year	\$2,411,900
Add:	
Provision for 1994 injuries	228,271
Interest allocated	83,200
Difference between actual legislative increase and inflation	41,100
Province of Alberta liability	26,200
Revision to mortality assumptions	25,800
	<u>2,816,471</u>
Deduct:	
Payments for prior years' injuries excluding self-insured employers	(260,630)
Claim cost experience lower than expected	(153,741)
Balance at end of year	<u>\$2,402,100</u>

Note 8 Provincial Pension Plans

The Board participates with other employers in two defined benefit pension plans. The Public Service Pension Plan and the Management Employees Pension Plan provide pensions for the Board's employees based on length of service and earnings.

The Board's portion of the unfunded pension liability for each plan as at December 31, 1994, as determined by the Provincial Treasurer, is as follows:

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Public Service Pension Plan	\$4,376	\$4,414
Management Employees Pension Plan	<u>2,261</u>	<u>2,238</u>
	<u>\$6,637</u>	<u>\$6,652</u>

Note 9 Investment Revenue

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Dividends and interest	\$188,666	\$179,937
Amortized deferred gains	24,507	16,001
Amortized unrealized gains on equities	<u>9,617</u>	<u>59,963</u>
	<u>\$222,790</u>	<u>\$255,901</u>

Note 10 Administration Expenses

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Salaries and employee benefits (Schedule A)	\$61,651	\$64,208
Office and communications	13,021	13,462
Amortization	9,524	10,637
Building operations	5,622	3,744
Consulting fees	5,135	6,143
Travel and vehicle operation	1,130	1,020
Other	<u>381</u>	<u>527</u>
	<u>96,464</u>	<u>99,741</u>
Deduct:		
Charged to health care claim cost	11,807	12,261
Miscellaneous revenue	<u>1,394</u>	<u>1,281</u>
	<u>\$83,263</u>	<u>\$86,199</u>

Note 11 Self-insured Employers

These financial statements include the effects of transactions carried out for self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administrative expenses. Currently, the Federal Government is the only self-insurer. Certain government related entities and railways are responsible for the cost of injuries to their workers which occurred when they were self-insured in prior years. Aggregate amounts of such premiums and offsetting expenses, excluding the settlement with the Province of Alberta and the associated claim costs relating to the liability, as described in Note 7, are contained in the Statement of Operations and Fund Balance as follows:

	1994	1993
	(thousands of dollars)	
Premium revenue	<u>\$7,800</u>	<u>\$9,825</u>
Claim costs incurred:		
Short-term disability	\$1,219	\$1,562
Long-term disability	2,403	2,990
Survivor benefits	1,148	1,034
Health care	1,749	2,254
Rehabilitation	<u>368</u>	<u>915</u>
	6,887	8,755
Administration expenses	<u>913</u>	<u>1,070</u>
	<u>\$7,800</u>	<u>\$9,825</u>

Note 12 Injury Reduction

	1994	1993
	(thousands of dollars)	
Voluntary Incentive Plan	\$12,357	\$12,354
Occupational health and safety	6,000	6,176
Safety associations	<u>3,270</u>	<u>3,379</u>
	<u>\$21,627</u>	<u>\$21,909</u>

The Voluntary Incentive Plan is based on the premise that injuries, and in turn claim costs, can be reduced through health and safety management. Financial incentives are given to employers who reduce claim costs.

The Workers' Compensation Board has the statutory obligation to reimburse the Provincial Treasurer a portion of the costs associated with occupational health and safety.

Funding is provided to industry sponsored safety associations for the purpose of improving the workplace.

Note 13 Appeals Commission

The Appeals Commission is a separate legal entity whose operating costs are funded by the Accident Fund in accordance with Section 6 of The Workers' Compensation Act but is administered separately from The Workers' Compensation Board.

Note 14 Obligation Under Leases

A number of operating leases exist for computer equipment and office space. In total, these leases represent a future obligation of \$15,242,000. The following is a schedule of future lease payments to be charged to administration expenses for the upcoming five-year period:

1995	\$5,181,000
1996	4,754,000
1997	1,934,000
1998	521,000
1999	579,000

Note 15 Contingencies

Occupational Diseases

The Workers' Compensation Board is liable for the future cost of claims relating to certain latent occupational diseases which may result from exposure to hazards in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Due to the absence of reliable evidence and data pertaining to these matters, the liability cannot be reasonably estimated and has not been recorded in these financial statements.

Appeal Decisions

The Workers' Compensation Act provides the right to appeal decisions. In the opinion of management, the likely results of these appeals cannot be determined at this time.

Legal Proceedings

There are 996 legal actions outstanding where the Board has taken civil action to recover funds on behalf of injured workers and the Board. The portion relating to the Board's costs will be recorded as a recovery of costs in the period the legal action is settled. In the opinion of management, the likely results of the legal actions cannot be determined at this time.

Note 16 Budget

The Board of Directors approved the budget, which is presented for comparison with the 1994 actual figures, on November 16, 1993.

Note 17 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

THE WORKERS' COMPENSATION BOARD
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994					1993 (restated)	
	Number of Individuals	Salary ⁽¹⁾	Benefits ^{(2) (3)}	Other	Total	Number of Individuals	Total
Chairman of the Board ⁽⁴⁾	1	\$ 77,874	\$ 806	\$ —	\$ 78,680	1	\$ 83,553
Board members ⁽⁴⁾	8	162,288	3,550	—	165,838	8	177,404
	<u>9</u>	<u>240,162</u>	<u>4,356</u>	<u>—</u>	<u>244,518</u>	<u>9</u>	<u>260,957</u>
President and Chief Executive Officer ⁽⁵⁾	1	200,000	92,629 ⁽⁶⁾	—	292,629	1	289,205
Vice President, Employer Services	1	116,772	17,536	168,375 ⁽⁸⁾	302,683	1	101,741
Vice President, Claimant and Health Care Services	1	139,109	13,176	—	152,285	1	95,074
Vice President, Finance and Administrative Services	1	153,448	13,541	—	166,989	1	104,015
Secretary and General Counsel	1	125,000	14,539	—	139,539	1	108,288
	<u>5</u>	<u>734,329</u>	<u>151,421</u>	<u>168,375</u>	<u>1,054,125</u>	<u>5</u>	<u>698,323</u>
Other managers:							
(average 1994 \$77,913, 1993 \$73,578)	41	2,802,962	391,479	—	3,194,441	49	3,605,330
Other full-time staff:							
(average 1994 \$44,262, 1993 \$44,046)	1,207	46,585,690	6,838,941	—	53,424,631	1,251	55,101,685
Long-term disability	—	—	—	1,540,224 ⁽⁹⁾	1,540,224	—	(490,812)
Termination benefits	—	—	—	1,673,634 ⁽⁸⁾	1,673,634	—	4,245,034
Provincial pension plans	—	—	—	(15,000) ⁽¹⁰⁾	(15,000)	—	217,000
Other staff related expenses	—	—	—	534,783 ⁽¹¹⁾	534,783	—	570,972
Administration - salaries and benefits ⁽¹²⁾		<u>\$50,363,143</u>	<u>\$ 7,386,197</u>	<u>\$ 3,902,016</u>	<u>\$61,651,356</u>		<u>\$64,208,489</u>

(1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.

(2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Unemployment Insurance, Workers' Compensation Board premiums, pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, short-term disability plans, employee and family assistance plan, professional memberships and tuition, computer purchase discounts, long service, suggestion and retirement awards.

(3) No amount included in benefits and allowances for car allowances, car insurance, or the value of parking and interest-free loans.

(4) The Chairman of the Board and Board Members are part-time positions.

(5) No amount has been included in benefits and allowances relating to the automobile provided until March, 1994.

(6) The President and Chief Executive Officer does not participate in the Public Service Benefit Plan. The Board of Directors has provided him with a retiring allowance paid directly, as well as other employee benefits.

(7) In 1993 the decision was made to award the President and Chief Executive Officer a bonus of \$85,000 to recognize his outstanding contribution during 1993. This decision was confirmed at the July, 1994 Board of Directors meeting. The President and Chief Executive Officer's remuneration for 1993 has been restated to reflect this bonus.

(8) Termination benefits include retiring allowances, accrued sick leave and other settlement costs due to loss of employment. Termination benefits relating to the Executive are shown by position. The number of staff receiving termination benefits was 44.

(9) The adjustment to the liability for long-term disability claims reflects changes to the actuarial present value of all future payments expected to be made for claims which have occurred in current and prior years.

(10) This represents the interest on the unfunded liability for provincial pension plans as determined by the Provincial Treasurer.

(11) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retiree benefits and relocation costs.

(12) Excluded from this total is the Appeals Commission as it is a separate legal entity. See Schedule A-1 for details.

THE WORKERS' COMPENSATION BOARD
APPEALS COMMISSION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994					1993	
	Number of Individuals	Salary ⁽¹⁾	Benefits ^{(2) (3)}	Other	Total	Number of Individuals	Total
Chief Appeals Commissioner	1	\$ 101,712	\$ 12,295	\$ —	\$ 114,007	1	\$ 99,133
Full-time Commissioners	4	276,694	36,541	—	313,235	4	263,746
Temporary Appeals Commissioners	27	429,752	6,796	—	436,548	16	380,367
	<u>32</u>	<u>808,158</u>	<u>55,632</u>	<u>—</u>	<u>863,790</u>	<u>21</u>	<u>743,246</u>
Other managers (average 1994 \$—, 1993 \$64,115)	—	—	—	—	—	1	64,115
Other full-time staff (average 1994 \$44,279, 1993 \$44,413)	26	994,426	156,826	—	1,151,252	23	1,021,507
Termination benefits	—	—	—	1,370 ⁽⁴⁾	1,370	—	29,631
Other staff related expenses	—	—	—	31,398 ⁽⁵⁾	31,398	—	5,531
Total		<u>\$1,802,584</u>	<u>\$ 212,458</u>	<u>\$ 32,768</u>	<u>\$2,047,810</u>		<u>\$1,864,030</u>

The Appeals Commission is a separate legal entity funded by the accident fund but administered separately from The Workers' Compensation Board.

- (1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.
- (2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Unemployment Insurance, Workers' Compensation Board premiums, pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, employee and family assistance plan, professional memberships and tuition, computer purchase discounts, long service, suggestion and retirement awards.
- (3) No amount included in benefits and allowances for car allowances, car insurance, or the value of parking and interest-free loans.
- (4) Termination benefits include retiring allowances, accrued sick leave and other settlement costs due to loss of employment.
- (5) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retiree benefits and relocation costs.

ALBERTA LIQUOR CONTROL BOARD
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Income
Statement of Remittances to Provincial Treasurer
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Members of the
Alberta Liquor Control Board

I have audited the balance sheet of the Alberta Liquor Control Board as at March 31, 1995 and the statements of income, remittances to Provincial Treasurer and changes in financial position for the period from January 5, 1994 to March 31, 1995. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1995 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
June 2, 1995

ALBERTA LIQUOR CONTROL BOARD
BALANCE SHEET
AS AT MARCH 31, 1995
(thousands of dollars)

	March 31, 1995	January 4, 1994
ASSETS		
Current:		
Cash and short-term investments	\$ 70,592	\$ 9,187
Trade receivables	1,141	2,834
Receivables, property sales	8,686	19,067
Inventories (Note 3)	574	12,029
Prepaid expenses	304	1,745
Current portion of mortgages receivable (Note 4)	277	213
	<u>81,574</u>	<u>45,075</u>
Mortgages receivable (Note 4)	8,431	8,777
Capital assets (Note 5)	20,474	45,728
Deferred charges	—	169
	<u>\$ 110,479</u>	<u>\$ 99,749</u>
LIABILITIES AND APPROPRIATION		
Current:		
Accounts payable	\$ 27,019	\$ 57,010
Pension liability (Note 6)	1,979	5,250
Appropriation for capital (Note 7)	138,000	138,000
Remittances to Provincial Treasurer in excess of net unappropriated income	(56,519)	(100,511)
Net appropriation for capital	<u>81,481</u>	<u>37,489</u>
	<u>\$ 110,479</u>	<u>\$ 99,749</u>

Approved by Management:

Bob King
Chairman and Chief Executive
Officer

Norman C. Peterson, CA
Executive Director, Finance and
Administration

The accompanying notes are part
of these financial statements.

ALBERTA LIQUOR CONTROL BOARD
STATEMENT OF INCOME
FOR THE FISCAL PERIOD FROM JANUARY 5, 1994 TO MARCH 31, 1995
(thousands of dollars)

	Budget 1994-95	Fiscal 1994-95	Fiscal 1993
	(64 weeks)	(64 weeks)	(52 weeks)
Sales	\$1,117,503	\$1,189,457	\$1,026,052
Cost of goods sold	599,077	634,813	519,002
Gross profit on sales	518,426	554,644	507,050
Operating expenses (Note 8)	30,326	29,487	83,451
Net profit on sales	488,100	525,157	423,599
Other income (Note 9)	6,650	11,024	8,156
Container administration expense, net (Note 10)	(4,394)	(2,304)	(4,036)
External services expense (Note 11)	(223)	(85)	(124)
Income for the fiscal period before the following	490,133	533,792	427,595
Reorganization costs (Note 12)	—	(1,800)	—
Cost of terminating retail operations	—	—	(36,071)
Write down of St. Albert Complex to estimated net recoverable amount	—	(5,000)	(13,000)
Net income for the fiscal period	<u>\$ 490,133</u>	<u>\$ 526,992</u>	<u>\$ 378,524</u>

ALBERTA LIQUOR CONTROL BOARD
STATEMENT OF REMITTANCES TO PROVINCIAL TREASURER
FOR THE FISCAL PERIOD FROM JANUARY 5, 1994 TO MARCH 31, 1995
(thousands of dollars)

	Budget 1994-95 (64 weeks)	Fiscal 1994-95 (64 weeks)	Fiscal 1993 (52 weeks)
Remittances in excess of net unappropriated income at beginning of fiscal period	\$ (108,989)	\$ (100,511)	\$ (24,535)
Add: Net income for the fiscal period	490,133	526,992	378,524
	381,144	426,481	353,989
Deduct: Remittances to Provincial Treasurer	(483,000)	(483,000)	(454,500)
Remittances in excess of net unappropriated income at end of fiscal period	<u>\$ (101,856)</u>	<u>\$ (56,519)</u>	<u>\$ (100,511)</u>

ALBERTA LIQUOR CONTROL BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL PERIOD FROM JANUARY 5, 1994 TO MARCH 31, 1995
(thousands of dollars)

	Budget 1994-95 (64 weeks)	Fiscal 1994-95 (64 weeks)	Fiscal 1993 (52 weeks)
Cash from operations:			
Net income for the fiscal period	\$ 490,133	\$ 526,992	\$ 378,524
Amortization	3,211	2,293	4,861
Write down of St. Albert Complex	—	5,000	13,000
Write down of capital assets held for sale	—	—	4,322
Loss on disposal of capital assets	—	17	8,928
Increase (decrease) in pension liability	—	(3,271)	168
Decrease in deferred charges	—	169	7
	493,344	531,200	409,810
Net change in non-cash working capital balances	(4,050)	(5,021)	24,608
	489,294	526,179	434,418
Remittances to Provincial Treasurer	(483,000)	(483,000)	(454,500)
	6,294	43,179	(20,082)
Cash used for investment:			
Purchase of capital assets	(2,317)	(231)	(1,586)
Proceeds on disposal of capital assets	36,758	18,175	39,609
Repayment of (investment in) mortgages	282	282	(8,990)
	34,723	18,226	29,033
Increase in cash and short-term investments during the fiscal period	41,017	61,405	8,951
Cash and short-term investments at beginning of fiscal period	8,179	9,187	236
Cash and short-term investments at end of fiscal period	<u>\$ 49,196</u>	<u>\$ 70,592</u>	<u>\$ 9,187</u>

ALBERTA LIQUOR CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority

The Alberta Liquor Control Board operates under the authority of the Liquor Control Act, Chapter L-17, Revised Statutes of Alberta 1980, as amended. The Board is a crown agent of the Government of Alberta and as such has a tax exempt status.

Note 2 Significant Accounting Policies and Reporting Practices

Fiscal Period

The Liquor Control Amendment Act, 1994 stipulates that the fiscal period shall be from January 5, 1994 to March 31, 1995, comprised of approximately 64 weeks.

The 1993 fiscal year comprised 52 weeks ended January 4, 1994.

Budget

The fiscal 1994-95 budget was approved by the Board.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings	2.5%
Furniture and equipment	10% or 20%
Vehicles	20%
Computer software	33.3%

Capital assets held for sale are stated at estimated net realizable value.

Writedowns of capital assets to estimated net recoverable amount or to net realizable value are included in accumulated amortization.

Pension Liability and Expense

The Board's pension liability is its portion of the pension plan's total unfunded pension liability, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations.

The portion is based upon the ratio of pensionable earnings of the Board's employees to the earnings of all employees in the pension plan. The ratio is adjusted annually based upon the previous year's pensionable earnings of all employees in the plan.

Pension expenditure includes pension obligations earned by employees during the year, interest on the unfunded pension liability, the amortization of deferred adjustments over the expected average remaining service life of employees, and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

Note 3 Inventories

	March 31, 1995	January 4, 1994
	(thousands of dollars)	
Product	\$ 106	\$11,017
Supplies	468	1,012
	<u>\$ 574</u>	<u>\$12,029</u>

Note 4 Mortgages Receivable

During fiscal 1993, the Board sold the Calgary warehouse for a total consideration of \$9,000,000. The Board entered into a first mortgage agreement with the purchaser in the amount of \$8,490,000 and a second mortgage agreement in the amount of \$500,000. Both mortgages are secured by a first charge on the property and chattels. Principal amounts due under the mortgage agreements are as follows:

		(thousands of dollars)
Fiscal	1995-96	\$ 277
	1996-97	277
	1997-98	277
	1998-99	7,377
	1999-2000	500
		<u>8,708</u>
Less: Current portion		<u>277</u>
Non-current portion		<u>\$8,431</u>

Note 5 Capital Assets

	March 31, 1995		January 4, 1994	
	(thousands of dollars)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 4,168	\$ —	\$ 4,168	\$ 4,168
Buildings	46,321	31,652	14,669	20,325
Furniture and equipment	19,681	19,365	316	669
Vehicles	46	37	9	25
Computer software	3,234	2,883	351	1,205
Properties held for sale	1,836	875	961	19,336
	<u>\$75,286</u>	<u>\$54,812</u>	<u>\$20,474</u>	<u>\$45,728</u>

Note 6 Pension Liability

The Board participates with other employers in two defined benefit pension plans. The Public Service Pension Plan and the Management Employees Pension Plan provide pensions for the Board's employees based on length of service and earnings.

The Board's unfunded pension liability for each plan is as follows:

	March 31, 1995	January 4, 1994
	(thousands of dollars)	
Public Service Pension Plan	\$1,154	\$3,319
Management Employees Pension Plan	825	1,931
	<u>\$1,979</u>	<u>\$5,250</u>

This liability is to be eliminated on or before December 31, 2036.

The total amount of unfunded pension liability from these plans was determined by an actuarial valuation as at December 31, 1993 for the Public Service Pension Plan and as at December 31, 1994 for the Management Employees Pension Plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers.

Note 7 Appropriation for Capital

The Liquor Control Act provides that the Board shall maintain a capital account to provide funds for acquiring land and buildings and maintaining other assets necessary to the operations of the Board.

Note 8 Operating Expenses

	Budget 1994-95 (64 weeks)	Fiscal 1994-95 (64 weeks)	Fiscal 1993 (52 weeks)
	(thousands of dollars)		
Salaries and benefits:			
Union and excluded salaries	\$ 8,610	\$ 8,571	\$18,556
Management salaries	3,939	3,203	13,098
Casual and part-time wages	1,040	1,426	12,082
Payroll benefits	2,610	2,376	7,056
Other benefits	1,787	2,498	2,474
Unfunded pension liability adjustment (Note 6)	—	(3,271)	168
	<u>17,986</u>	<u>14,803</u>	<u>53,434</u>
Property	2,595	5,529	13,618
Amortization	3,207	2,239	4,827
Product expense	1,095	1,112	2,123
Fees and services	529	989	489
Equipment and vehicles	1,294	971	1,660
Data processing	1,215	782	1,139
Stationery, postage and supplies	531	594	1,334
Bank charges	149	508	2,751
Travel and training	626	489	941
Communications	590	481	649
Insurance and security	338	435	485
Miscellaneous	171	555	1
	<u>\$30,326</u>	<u>\$29,487</u>	<u>\$83,451</u>

Note 9 Other Income

	Budget 1994-95 (64 weeks)	Fiscal 1994-95 (64 weeks)	Fiscal 1993 (52 weeks)
	(thousands of dollars)		
Licenses and permits	\$ 3,674	\$ 4,171	\$ 3,052
Interest revenue	224	2,959	298
Warehouse storage and handling	1,456	1,490	241
Premises rental revenue	—	863	6
Liquor levies	921	797	671
Gain (loss) on disposals of capital assets	—	(17)	2,212
Miscellaneous	375	761	1,676
	<u>\$ 6,650</u>	<u>\$11,024</u>	<u>\$ 8,156</u>

Note 10 Container Administration Expense

This expense represents the net cost of administering and refunding deposits on spirits, wine and imported beer containers pursuant to Beverage Container Recycling Regulations 128/93 and 256/93 under section 168 of the Environmental Protection and Enhancement Act.

Note 11 External Services Expense

Expenses for external services relate to administrative support provided to the Liquor Licensing Appeal Council. The Liquor Licensing Appeal Council hears appeals by licensees of Board decisions that arise from a hearing with the licensee.

Note 12 Reorganization Costs

In March 1995, the Government of the Province of Alberta authorized a plan to merge the operations of the Alberta Liquor Control Board, Alberta Lotteries, Lotteries and Gaming and Alberta Gaming Commission during the ensuing year. The merged operation is to be located in St. Albert. The reorganization costs represent estimated employee severance costs and relocation costs resulting from the merger.

Note 13 St. Albert Complex

Effective June 20, 1994, Tibbett & Britten Group Canada Inc. (TBGC) were appointed by the Board for one year, with an option for a further year, to operate the Board's St. Albert warehouse and distribution facility. Under the terms of the appointment, TBGC has been provided with an option to lease or purchase the warehouse and head office building within this two-year period, under terms and conditions to be agreed.

Note 14 Contingent Liability - Lease Commitments

The Board has a number of properties, primarily former retail liquor stores, that operate under lease arrangements with terms ranging from one to thirty-seven years. Most of these properties have been subleased to third parties. With some exceptions, for which provision for loss has been made, the payments to be received on the sub-leases are equal to the lease payments to be made. The Board remains liable for the leases should the sub-lessor default on their obligations to the Board. The approximate rental under these lease arrangements is summarized as follows:

	(thousands of dollars)
Fiscal 1995-96	\$ 3,259
1996-97	2,535
1997-98	2,075
1998-99	1,806
1999-2000	1,446
Balance to expiry	<u>16,515</u>
	<u>\$27,636</u>

Note 15 Salaries and Benefits

Salaries and benefit numbers for 1994-95 represent payments for the 64 week period January 5, 1994 to March 31, 1995.

	Fiscal 1994-95	Fiscal 1993	Fiscal 1994-95				Fiscal 1993	
			(64 weeks)				(52 weeks)	
	Annualized Average Salary and Benefits	Average Salary and Benefits	Average Number of Employees	Salary ^(a)	Benefits ^(b)	Total	Average Number of Employees	Total
				(thousands of dollars)				
Senior Officers								
Chairman and CEO	\$118	\$120	1	\$ 131	\$ 17	\$ 148	1	\$ 120
Deputy Chairman ^(c)	14	88	1	17	—	17	1	88
Board Member ^(c)	10	12	1	12	—	12	1	12
Executive Directors								
Finance and Administration	102	105	1	124	4	128	1	105
Licensing	99	103	1	110	14	124	1	103
Human Resources ^(d)	83	96	1	75	8	83	1	96
Operations	—	121	—	—	—	—	1	121
Other management staff	52	50	52	2,764	647	3,411	302	14,975
Other full-time staff (union and excluded)	45	38	180	8,571	1,547	10,118	580	21,969
Part-time and casual staff				1,426	140	1,566		13,219
Liquor Licensing Appeal Council			4	47	3	50	2	99
				<u>\$13,277</u>	<u>\$ 2,380</u>	15,657		50,907
Severance payments						2,498		2,474
Unfunded pension liability adjustment						(3,271)		168
Liquor Licensing Appeal Council, included in external services expense						(50)		(99)
Part-time Board member costs, included in miscellaneous expense						(29)		(12)
Motor vehicle benefit, included in equipment and vehicles expense						(2)		(4)
Salaries and benefits (Note 8)						<u>\$14,803</u>		<u>\$53,434</u>

(a) Salary includes accrued vacation pay.

(b) Benefits include the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability, professional memberships, tuition and automobile benefits.

(c) Part-time.

(d) Terminated during 1994.

Note 16 Comparative Figures

Certain fiscal 1993 figures have been reclassified to conform to fiscal 1994-95 presentation.

THE ALBERTA GENERAL INSURANCE COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Operations and Surplus
Notes to the Financial Statements

AUDITOR'S REPORT

To the Board of Directors of
The Alberta General Insurance Company

I have audited the balance sheet of The Alberta General Insurance Company as at December 31, 1994 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 22, 1995

THE ALBERTA GENERAL INSURANCE COMPANY
BALANCE SHEET
AS AT DECEMBER 31, 1994

	1994	1993
ASSETS		
Cash	\$144,853	\$147,776
Accrued interest	2,208	2,011
Income tax receivable	—	3,918
Prepaid expenses	—	2,650
	<u>\$147,061</u>	<u>\$156,355</u>
LIABILITIES AND SURPLUS		
Accounts payable	\$ 1,026	\$ 1,200
Unearned premiums	—	44
	<u>1,026</u>	<u>1,244</u>
Surplus (Note 4)	146,035	155,111
	<u>\$147,061</u>	<u>\$156,355</u>

The accompanying notes are part
of these financial statements.

THE ALBERTA GENERAL INSURANCE COMPANY
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
Underwriting:		
Revenue:		
Premiums earned, net of cancellations and returns	\$ 24	\$ 25
Expense:		
Administrative and general expenses	17,333	18,148
Underwriting loss	(17,309)	(18,123)
Other income:		
Interest	8,233	9,191
Operating deficit for the year before income tax	(9,076)	(8,932)
Recovery of income taxes	—	3,918
Operating deficit for the year	(9,076)	(5,014)
Surplus at beginning of year	155,111	160,125
Surplus at end of year	<u>\$146,035</u>	<u>\$155,111</u>

THE ALBERTA GENERAL INSURANCE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

- Note 1 Authority
The Alberta General Insurance Company operates under the authority of The Alberta General Insurance Company Act, Chapter 9, Statutes of Alberta 1948.
- Note 2 Significant Reporting Practices
A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.
- Note 3 Cessation of Business
The Company has ceased active business operations with the exception of one policy concerning certain government property.
- Note 4 Surplus
Surplus consists of contributed surplus (\$124,226) and earnings (\$21,809) retained in the Company. Contributed surplus arose in 1948 when the net assets of the Alberta Government Insurance Office were transferred to the Company.

Note 5 Income Tax

The Company has a net capital loss carry-forward for income tax purposes in the amount of \$43,640 that has not been recognized in the financial statements. The tax benefits pertaining to the loss carry-forward are available in any future year.

Note 6 Subsequent Event

Effective February 9, 1995, the Company was wound up pursuant to section 257(1)(b) of the Companies Act.

Upon wind up of the Company, all assets and liabilities were transferred to the General Revenue Fund. The amounts transferred consisted of the net assets at December 31, 1994 in the amount of \$146,035 plus accrued interest to February 9, 1995 of \$987.

Note 7 Approval of Financial Statements

These financial statements were approved by management.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Revenue, Expenditure and Retained Earnings
Consolidated Statement of Changes in Financial Position
Notes to the Consolidated Financial Statements
Consolidated Schedule of Debenture Debt

AUDITOR'S REPORT

To the Members of
The Alberta Government Telephones Commission

I have audited the consolidated balance sheet of The Alberta Government Telephones Commission as at December 31, 1994 and the consolidated statements of revenue, expenditure and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1994 and results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 24, 1995

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Cash	\$ 3,826	\$ 3,521
Accounts receivable	2,935	5,148
Accrued interest receivable (Note 3)	33,771	34,760
Taxes recoverable	171	2,297
Notes receivable (Note 4)	764,000	866,000
Loans receivable (Note 5)	86,190	218,829
Other assets	2,532	6,859
	<u>\$ 893,425</u>	<u>\$1,137,414</u>
LIABILITIES AND EQUITY		
Bank loans (Note 6)	\$ 34,715	\$ 213,548
Accounts payable and accrued liabilities	37,342	41,461
Deferred interest and foreign exchange gain	—	251
Deferred income taxes	19,800	—
Debenture debt (Note 7)	764,000	866,000
Due to the Province of Alberta (Note 8)	36,304	15,885
	<u>892,161</u>	<u>1,137,145</u>
Equity:		
Retained earnings	—	—
Foreign currency translation adjustments (Note 9)	1,264	269
	<u>\$ 893,425</u>	<u>\$1,137,414</u>

The accompanying notes and schedule are part of these consolidated financial statements.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE
AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
	Budget	Actual
	(Note 15)	Actual
Revenue:		
Interest on notes receivable	\$ 98,362	\$ 98,376
Interest premium (Note 4)	2,980	2,980
Interest on deposits	170	298
	<u>101,512</u>	<u>101,654</u>
Expenditure:		
Interest on debenture debt	98,362	98,376
Net revenue from operations	3,150	3,278
Net revenue from discontinued operations (Note 10)	6,964	20,141
Excess of revenue over expenditure for the year	10,114	23,419
Retained earnings at beginning of year	—	—
	<u>10,114</u>	<u>23,419</u>
Contribution to the Province of Alberta	(10,114)	(23,419)
Retained earnings at end of year	<u>\$ —</u>	<u>\$ —</u>

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
Operating Activities:		
Net revenue from operations	\$ 3,278	\$ 3,270
Changes in non-cash balances relating to operating transactions	27	(32)
	<u>3,305</u>	<u>3,238</u>
Discontinued operations (Note 10)	44,114	14,377
Cash provided by operating activities	<u>47,419</u>	<u>17,615</u>
Investing Activities:		
Discontinued operations (Note 10)	136,519	30,148
Cash provided by investing activities	<u>136,519</u>	<u>30,148</u>
Financing Activities:		
Increase in amount due to the Province of Alberta	278	3,270
Contribution to the Province of Alberta (Note 8)	(3,278)	(3,270)
	(3,000)	—
Discontinued operations (Note 10)	(180,633)	(44,525)
Cash applied to financing activities	<u>(183,633)</u>	<u>(44,525)</u>
Increase in cash	305	3,238
Cash at beginning of year	3,521	283
Cash at end of year	<u>\$ 3,826</u>	<u>\$ 3,521</u>

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Alberta Government Telephones Commission operates under the authority of the Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended and the Alberta Government Telephones Reorganization Act, Chapter A-23.5, Statutes of Alberta 1990.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the following wholly-owned subsidiaries:

- 473654 Alberta Ltd. (in liquidation),
- 475342 Alberta Ltd. (in liquidation),
- NovAtel Communications Inc. (in liquidation),
- 496072 Alberta Ltd.,
- NFI Finance, Inc.,
- NovAtel Finance Inc.,
- System Finance Inc., and
- Cellular Finance Inc.

All subsidiaries are considered to be discontinued. (see Note 10)

All significant transactions between these companies have been eliminated.

(b) Loans Receivable

Loans receivable are stated at cost, which includes principal amounts outstanding, less provisions for losses on loans. Interest on loans is recognized as income on the accrual basis unless the loans have been classified as non-performing.

All loans which have reached 90 days in arrears or which contractually do not require payments for a period exceeding 90 days, or for which, in management's judgment, reasonable doubt exists as to the ultimate collectibility of principal or interest, are classified as non-performing, and all unpaid interest income is reversed. Thereafter revenue is taken into income only as collected. Non-performing loans are stated at the lower of cost and estimated net realizable value.

Individual non-performing loans are reviewed regularly and if, in management's judgment, full recovery of principal is not expected, a specific provision for estimated losses is recorded. In addition, based on management's judgment, a general provision for loss is recorded to recognize unforeseeable losses in the loan portfolio.

(c) Deferred Income Taxes

Deferred income taxes are provided for all significant timing differences between the recognition of revenue and expenditure for financial statement and income tax purposes.

(d) Foreign Currency Translation

With the exception of the Commission's self-sustaining foreign operations, the assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the balance sheet date. Revenue and expenditure are translated using average rates of exchange prevailing at the time the transactions take place. Unrealized foreign exchange gains or losses are deferred and amortized to revenue over the lives of the assets and liabilities to which they relate.

Commencing January 1, 1993, certain foreign operations have been accounted for as self-sustaining operations. The assets, except for positions that are hedged, and liabilities are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Assets for which the Commission has hedged its position are translated at the rates established by the hedge. All revenue and expenditure is translated at average exchange rates prevailing during the year. Foreign currency translation adjustments are deferred and included in a separate component of equity described as "Foreign exchange currency adjustments."

(e) Valuation of Assets and Liabilities

Consistent with companies which are liquidating their operations, all assets and liabilities in liquidation are reflected at their estimated realizable value at the balance sheet date. Any gains or losses arising from revaluation of the assets and liabilities are included in the determination of excess of expenditure over revenue for the year.

Note 3 Accrued Interest Receivable

Accrued interest pertains to the following:

	1994	1993
	(thousands of dollars)	
Notes receivable	\$30,799	\$31,496
Sinking fund notes	2,056	2,034
Loans receivable, net of provision	916	1,230
	<u>\$33,771</u>	<u>\$34,760</u>

Note 4 Notes Receivable

	1994	1993
	(thousands of dollars)	
Notes receivable	\$ 950,000	\$1,050,000
Sinking fund notes (Note 7)	(186,000)	(184,000)
	<u>\$ 764,000</u>	<u>\$ 866,000</u>

The notes receivable were issued by AGT Limited, a subsidiary of TELUS, on October 4, 1990 pursuant to a debt reorganization agreement between the Commission, the Province of Alberta, and TELUS. The notes are comprised of residual and sinking fund notes issued in series that exactly match the Commission's debenture debt.

The notes bear interest at rates ranging from 9.3% to 12.0%. The rate for each series is .3% greater than that of the corresponding Commission debenture debt series, representing an interest premium.

The notes matching those Commission debentures with sinking fund requirements are referred to as sinking fund notes.

Note 5 Loans Receivable

	1994	1993
	(thousands of dollars)	
Performing	\$111,571	\$157,135
Start-up	—	2,153
Non-performing	26,900	141,602
	138,471	300,890
Provision for losses on loans	(52,281)	(82,061)
	<u>\$ 86,190</u>	<u>\$218,829</u>

Loans receivable represent amounts loaned under Loan and Security Agreements with companies holding cellular system licences in the United States to finance the acquisition of cellular system equipment, to finance expansion of operations and to meet working capital requirements.

The loans bear interest primarily at U.S. prime plus 2%, are repayable in US \$ commencing in the third year of their seven year term, and are secured by first charges on the licence holders' equipment and all other assets including, to the extent permitted by law, the licence, and a pledge of their capital stock or partnership interests.

Note 6 Bank Loans

	1994	1993
	(thousands of dollars)	
Bank overdrafts	\$ 1,470	\$ 4,708
Bankers acceptances at 7.005%, due February 23, 1995	2,268	14,080
LIBOR loan at 4.05%, due January 31, 1995 (US \$50,000)	70,140	194,760
	73,878	213,548
Less: Deposit in Consolidated Cash Investment Trust Fund	39,163	—
	<u>\$ 34,715</u>	<u>\$213,548</u>

Bank loans are governed by the terms of demand credit facilities and are guaranteed by the Province of Alberta to a maximum of US \$185,000,000 and CDN \$26,000,000. The bankers acceptances and the LIBOR loan were renewed subsequent to their contractual maturity dates. In management's opinion, further financing in addition to the provincial guarantee will not be required.

NFI Finance, Inc. loaned US \$28,313,880 to 496072 Alberta Ltd. These funds were deposited in the Consolidated Cash Investment Trust Fund and will be used to partially retire the LIBOR loan due January 31, 1995.

Note 7 Debenture Debt

	1994	1993
	(thousands of dollars)	
Debenture debt, Schedule 1	\$ 950,000	\$1,050,000
Less: Sinking fund assets (Note 4)	186,000	184,000
	<u>\$ 764,000</u>	<u>\$ 866,000</u>

- (a) Debentures are unconditionally guaranteed as to principal and interest by the Province of Alberta.
- (b) In accordance with debenture deeds, certain issues require annual sinking fund contributions of 1.00% of the principal amounts outstanding. Contributions are required for a period of 20 years before maturity. Sinking fund notes of AGT Limited are held by the Commission to meet these sinking fund requirements.
- (c) One debenture has an early redemption provision at the Commission's option during the period 3 years to 6 months prior to maturity.
- (d) Anticipated requirements to meet debenture debt repayments and sinking fund provisions during the next five years are as follows:

	Debentures	Sinking Fund	Total
	(thousands of dollars)		
1995	\$ —	\$ 2,000	\$ 2,000
1996	150,000	2,000	152,000
1997	400,000	2,000	402,000
1998	200,000	2,000	202,000
1999	50,000	2,000	52,000

- (e) Debenture maturity amounts are exactly offset by notes of AGT Limited (Note 4).

Note 8 Due to the Province of Alberta

	1994	1993
	(thousands of dollars)	
Balance at beginning of year	\$ 15,885	\$(244,109)
Net revenue from discontinued operations:		
496072 Alberta Ltd. and NFI Finance, Inc.	20,055	6,093
473654 Alberta Ltd.	86	631
	20,141	6,724
Net revenue from operations of the Commission	3,278	3,270
Payment made by (to) the Province of Alberta	(3,000)	250,000
Balance at end of year	<u>\$ 36,304</u>	<u>\$ 15,885</u>

In 1993, the Province paid \$250 million to a bank under its guarantee for 473654 Alberta Ltd. loans. The amount due to the Province is interest free, payable on demand and secured by a general assignment of book debts and a general security agreement.

Pursuant to section 15 of the Telecommunications Act, the amount due to the Province of Alberta can be paid, with the approval of the Lieutenant Governor in Council, with money that the Commission determines to be surplus.

Note 9 Foreign Currency Translation Adjustments

	1994	1993
	(thousands of dollars)	
Balance at beginning of year	\$ 269	\$ —
Translation adjustments for year arising from changes in foreign exchange rates	995	269
Balance at end of year	<u>\$1,264</u>	<u>\$ 269</u>

Note 10 Discontinued Operations

Divestiture of NovAtel Communications Ltd.

In 1992, the Commission's wholly-owned subsidiary, NovAtel Communications Ltd. underwent significant restructuring under which it:

- disposed of the cellular systems business and European operations to third parties, and
- disposed of the business of financing companies holding cellular system licences, the majority of land and buildings and certain other assets to subsidiary companies of the Commission.

The full amount of NovAtel's bank advances and long-term debt was assumed by the Province of Alberta through subsidiary companies of the Commission.

On May 29, 1992, the Commission disposed of 100% of the shares of NovAtel Communications Ltd. to a third party. Operating and divestiture losses incurred from January 1 to May 29, 1992 amounted to \$116.6 million. Net liabilities assumed by the Province of Alberta through subsidiary companies of the Commission were \$244.1 million at May 29, 1992.

Remaining subsidiaries of the Commission hold assets and liabilities retained from NovAtel after divestiture. The Commission, through third party managers, is divesting itself of all assets of these subsidiaries.

Change in Financial Position

	1994	1993
	(thousands of dollars)	
Operating Activities:		
Net revenue from subsidiary companies	\$ 20,141	\$ 6,724
Write down of other assets	447	7,276
Deferred income taxes	19,800	—
Other non-cash items	3,726	377
Cash provided by operating activities	<u>44,114</u>	<u>14,377</u>
Investing Activities:		
Decrease in loans receivable	132,639	26,338
Proceeds on disposal of other assets	3,880	3,810
Cash provided by investing activities	<u>136,519</u>	<u>30,148</u>
Financing Activities:		
Decrease in bank loans	(175,595)	(290,925)
Decrease in bank overdrafts	(3,238)	—
Decrease in accrued liabilities	(1,800)	(3,600)
Contribution from the Province of Alberta (Note 8)	—	250,000
Cash applied to financing activities	<u>(180,633)</u>	<u>(44,525)</u>
Cash provided by discontinued operations	<u>\$ —</u>	<u>\$ —</u>

Note 11 Contingencies

As a condition of the sale of NovAtel, the Commission through 473654 Alberta Ltd. assumed the liabilities resulting from the settlement of several lawsuits against NovAtel that existed at May 29, 1992. An estimate of the cost of defending and/or settling these claims has been included in the accrued liabilities at December 31, 1994.

473654 Alberta Ltd. and NovAtel filed a Statement of Claim for the payment of commissions due under a commission agreement between NovAtel and a cellular systems manufacturer. An estimate of the potential recovery for the benefit of the Company cannot be made.

473654 Alberta Ltd. is party to several other lawsuits, the potential outcomes of which are not determinable and, as a result, an estimate of loss cannot be made. Gains or losses resulting from these lawsuits will be recorded in the period of settlement or, if and when the outcome becomes reasonably determinable.

The Commission's interest in the retained earnings of its foreign subsidiaries may be subject to withholding tax when repatriated.

Note 12 Earn-out

496072 Alberta Ltd. is eligible to receive, under certain conditions, amounts pursuant to the "earn-out" provisions of a 1992 agreement and a 1994 amending agreement. The total "earn-out" amount is \$12,603,920 of which \$603,920 was paid in February 1993 and \$6,000,000 was paid in April 1994. The remaining \$6,000,000 is payable in annual instalments due on April 1, 1996 to 1998, based on the payor's net income. Any unpaid balance is payable on April 1, 1999. The collectability of the "earn-out" is uncertain as it is based on a number of contingent events and the payor's ability to pay. The Company recognizes such revenue as income when realized.

Note 13 Related Party Transactions

Under a 1992 agreement the Commission and the Province of Alberta engaged North West Trust Company, a company principally owned by the Province of Alberta, to manage the assets of 496072 Alberta Ltd., NFI Finance Inc. and its subsidiaries and conduct an orderly realization of their assets. On December 31, 1994 North West Trust was amalgamated with Canadian Western Bank and now operates under the name of Canadian Western Bank. The management agreement is scheduled to terminate on May 31, 1995, although the agreement provides for earlier termination under certain conditions. During the year, the companies paid management fees of \$4,765,000 (1993 \$5,828,000).

Note 14 Fees and Benefits

The Commission and its subsidiaries did not pay any fees or benefits to their officers or directors in 1994. The Commission and its subsidiaries have no employees.

Note 15 Budget

The 1994 budget was approved by management in July, 1994.

Note 16 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 17 Approval of Financial Statements

These financial statements were approved by the Commission.

Schedule 1

ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED SCHEDULE OF DEBENTURE DEBT
AS AT DECEMBER 31, 1994
(thousands of dollars)

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>
Mar 26, 1986	Mar 26, 1996	9.750	150,000	\$150,000
Jan 15, 1987	Jan 15, 1997	9.000	200,000	200,000
Jul 8, 1987	Jul 8, 1997	9.500	200,000	200,000
Jul 7, 1988	Jul 7, 1998	9.600	200,000	200,000
Nov 15, 1979	Nov 15, 1999*	11.700	50,000	50,000
May 31, 1983	May 31, 2003*	11.500	150,000	150,000
Total Canadian				<u>\$950,000</u>

* issues requiring sinking fund contributions

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statements of Income and Equity
Statement of Changes in Financial Position
Notes to the Financial Statements
Schedule of Administration Expenses
Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Directors of the
Credit Union Deposit Guarantee Corporation

I have audited the balance sheet of the Credit Union Deposit Guarantee Corporation as at December 31, 1994 and the statements of income and equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 9, 1995

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
BALANCE SHEET
DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Cash	\$ 223	\$ 6,556
Investments (Note 3)	50,759	37,178
Accrued interest receivable	1,322	1,288
Due from credit unions	1,388	1,673
Loans receivable	975	1,210
Other assets	45	45
Capital assets (Note 4)	168	186
	<u>\$54,880</u>	<u>\$48,136</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 827	\$ 660
Financial assistance payable (Note 8)	4,851	1,600
Deferred revenue	276	296
Amounts due to and investment in subsidiary (Note 5)	4,019	3,924
	<u>9,973</u>	<u>6,480</u>
EQUITY		
Equity - Deposit Guarantee Fund	42,915	39,724
- Master Bond Fund	1,992	1,932
	<u>44,907</u>	<u>41,656</u>
	<u>\$54,880</u>	<u>\$48,136</u>
The accompanying notes and schedules are part of these financial statements.		

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENTS OF INCOME AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994		1993
	Budget	Actual	Actual
Deposit Guarantee Fund			
Revenue:			
Interest	\$ 2,314	\$ 2,731	\$ 2,634
Periodic assessments	9,090	8,739	8,889
Prescribed assessments (Note 9)	—	10,000	—
Recovery of special assistance (Note 6)	659	106	819
	<u>12,063</u>	<u>21,576</u>	<u>12,342</u>
Expense:			
Interest	19	23	21
Financial assistance to credit unions (Note 8)	964	3,003	1,527
Special contribution (Note 5)	3,999	4,055	3,967
Payment under guarantee to S C Financial Ltd. (Note 9)	—	7,781	—
Administration (Schedule 1)	3,884	3,523	3,144
	<u>8,866</u>	<u>18,385</u>	<u>8,659</u>
Net income for the year	3,197	3,191	3,683
Equity at beginning of year	40,133	39,724	36,041
Equity at end of year	<u>\$43,330</u>	<u>\$42,915</u>	<u>\$39,724</u>
Master Bond Fund			
Revenue:			
Assessments	\$ 900	\$ 777	\$ 753
Interest	86	129	132
	<u>986</u>	<u>906</u>	<u>885</u>
Expense:			
Bond premium	600	564	490
Administration	200	197	200
Claims	151	85	151
	<u>951</u>	<u>846</u>	<u>841</u>
Net income for the year	35	60	44
Equity at beginning of year	1,910	1,932	1,888
Equity at end of year	<u>\$ 1,945</u>	<u>\$ 1,992</u>	<u>\$ 1,932</u>

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
Operating activities:		
Net income for the year:		
Deposit Guarantee Fund	\$ 3,191	\$ 3,683
Master Bond Fund	60	44
Items not involving cash:		
Amortization	57	55
(Gain) on disposal of capital assets	(5)	—
Amortization of deferred items	(262)	(259)
	<u>3,041</u>	<u>3,523</u>
Changes in non-cash balances relating to operating activities:		
Accrual for credit union assistance	3,097	(5)
Loans and accrued interest, net of provisions	235	(1,153)
Due to subsidiary:		
Special contribution	88	153
Recovery of special assistance	7	10
Accounts receivable	439	(212)
Accounts payable and deferrals	409	403
	<u>4,275</u>	<u>(804)</u>
Operating investment activities:		
Investment in marketable securities	(13,615)	3,423
Cash (used in) provided by operating activities	<u>(6,299)</u>	<u>6,142</u>
Capital investment activities:		
Purchase of capital assets	(51)	(80)
Proceeds on sale of capital assets	17	—
Cash used in capital investment activities	<u>(34)</u>	<u>(80)</u>
(Decrease) increase in cash	(6,333)	6,062
Cash, beginning of year	6,556	494
Cash, end of year	<u>\$ 223</u>	<u>\$ 6,556</u>

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Nature of Operations

The Credit Union Deposit Guarantee Corporation (the Corporation), operating under the authority of the Credit Union Act, Chapter C-31.1, Statutes of Alberta, 1989, as amended, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province of Alberta (Province) will ensure that this obligation of the Corporation is carried out. As at December 31, 1994, the 86 credit unions in Alberta held deposits totalling \$3,673,000,000. Supervised credit unions receive assistance, support and direction in planning, policy and operational matters from the Corporation.

Under the Income Tax Act, the Corporation qualifies as a deposit insurance corporation and has no taxable income for the current year.

In 1986, S C Financial Ltd. was incorporated as a wholly owned subsidiary of the Corporation for the purpose of providing \$335,000,000 of deficit financing assistance to credit unions under supervision. Although the Corporation guarantees the interest on the S C Financial Ltd. debentures issued in exchange for Stabilization Preferred Shares of the credit unions, the interest is funded by the Province pursuant to its indemnification. Accordingly, other than the one time payment of \$7,781,000 agreed to in 1994 (see Note 9), the obligation of the Corporation pursuant to its guarantee is not reflected in these financial statements.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

These financial statements reflect separate funds: a Deposit Guarantee Fund and a Master Bond Fund.

The Deposit Guarantee Fund enables the Corporation to guarantee the repayment of all deposits with credit unions, its primary objective. The Deposit Guarantee Fund's statement of income includes assessments received from credit unions, assistance payments recorded on behalf of credit unions, as well as all other revenues and expenses related to the primary objective.

The Master Bond Fund provides insurance coverage to credit unions under a policy administered by the Corporation. A credit union may claim a maximum of \$100,000 for directors liability claims and \$85,000 for other claims, less its deductible, which is payable out of the Master Bond Fund; a reinsurance policy insures the amount of the claim that exceeds \$100,000 or \$85,000, respectively. The Master Bond Fund's statement of income includes insurance assessments received from credit unions, interest income, premiums paid to the bonding company, and administration fee and claims.

The Corporation may use all of its assets to support its primary objective.

(b) Non-consolidation of Subsidiary

The financial statements of the Corporation's wholly owned subsidiary, S C Financial Ltd., have not been consolidated with these financial statements since increases or decreases in the equity of S C Financial Ltd. do not accrue to the Corporation.

(c) Investments

Investments are stated at cost, with any discount or premium amortized on the basis of the underlying yield to maturity. Carrying values of all investments are written down when there is a decline in value that is other than temporary.

(d) Loans Receivable

Loans acquired to assist with mergers of credit unions are recorded at estimated net realizable value.

The loans are purchased from credit unions at the principal amount outstanding less an allowance for doubtful loans. Annually, management reviews the adequacy of the allowance for doubtful loans on a loan by loan basis and adjusts the allowance to an amount considered adequate to provide for expected loan losses.

Interest revenue is recorded on the accrual basis until the loan is classified as non-performing. At that time, any accrued interest is reversed. A non-performing loan is considered to be any loan where scheduled payments are greater than 60 days in arrears or less than 60 days in arrears and there is reasonable doubt as to the ultimate collectibility of the outstanding principal or interest.

(e) Capital Assets

The following rates are designed to amortize the cost of capital assets over their estimated useful lives:

Furniture and equipment	5 year straight-line
Automotive	30% declining-balance
Computer equipment	30% declining-balance
Computer software	1 year straight-line
Leasehold improvements	straight-line over lease term

Amortization begins in the month following the date of acquisition, using monthly rates.

(f) Insurance Claims

The Corporation estimates and accrues the Master Bond Fund's share of losses from any reported claims. It makes an additional accrual of the estimated losses from unreported claims based on the last three years' average actual loss experience.

(g) Financial Assistance to Credit Unions

The Corporation recognizes financial assistance to specific credit unions as an expense when the need for assistance becomes likely and it can reasonably estimate the amount.

Additionally, the provision for financial assistance includes estimated costs which may be incurred in assisting with credit unions.

Note 3 Investments

	1994	1993
	(thousands of dollars)	
Notes and term deposits issued by financial institutions	\$21,645	\$ 7,352
Government of Canada treasury bills	5,879	—
Government of Canada bonds and residuals	22,937	26,720
Government of Alberta residuals	—	2,808
Shares of Credit Union Central Alberta Ltd.	100	100
Shares of Co-operative Trust Company of Canada	198	198
	<u>\$50,759</u>	<u>\$37,178</u>

The carrying value of the investments approximates market value.

Note 4 Capital Assets

	1994	1993
	(thousands of dollars)	
Furniture and equipment	\$397	\$399
Automotive	48	94
Computer equipment	332	283
Computer software	24	21
Leasehold improvements	67	67
	<u>868</u>	<u>864</u>
Less: Accumulated amortization	700	678
Net	<u>\$168</u>	<u>\$186</u>

Note 5 Amounts Due to and Investment in Subsidiary

	1994	1993
	(thousands of dollars)	
S C Financial Ltd.		
Special contribution	\$4,055	\$3,967
Advances	(35)	(42)
	<u>4,020</u>	<u>3,925</u>
Shares	(1)	(1)
	<u>\$4,019</u>	<u>\$3,924</u>

The Credit Union Restructuring Agreement requires the Corporation to make an annual special contribution equal to .11% of Credit Union deposits and borrowings to S C Financial Ltd., as directed by the Province, for the years 1990 through 2010.

Note 6 Special Assistance to Credit Unions

In 1989, the Corporation paid deficit funding assistance to supervised credit unions totalling \$12,524,000. It may recover portions of this funding based on a percentage of the credit unions' annual net income. The credit unions repaid \$106,000 during the year and \$2,186,000 to date.

Note 7 Commitment

The Corporation is committed to non-cancellable operating leases for business premises totalling \$400,000. The following amounts represent minimum payments over the next two years:

1995	\$342,000
1996	\$ 58,000

Note 8 Financial Assistance to Credit Unions

To fulfil the mandate described in Note 1, the Corporation assists credit unions experiencing financial difficulties when and as required. The Corporation monitors certain other credit unions experiencing financial difficulty and has a contingent responsibility to provide further financial assistance, the amount of which, if any, is undeterminable at this time. These financial statements include estimated financial assistance to credit unions (net of recoveries) totalling \$3,003,000 for the current year which brings the total financial assistance payable amount to \$4,851,000. The increase in financial assistance for the current year is due to the establishment of a general provision for financial assistance considering the credit union system as a whole. Management based its estimate for the general provision on existing equity levels in credit unions. Management of the Corporation is of the opinion that all present known and likely losses have been provided for.

Note 9 Prescribed Assessments

Pursuant to an Agreement between the Corporation, the Province, Credit Union Central Alberta Ltd. and S C Financial Ltd., the Corporation levied prescribed assessments totalling \$10,000,000 on credit unions. It paid \$7,781,000 of these funds to S C Financial Ltd. under its guarantee for debenture interest which reduced the Province's indemnity obligation on debenture interest for the year. Further, the Corporation agreed to reduce its deposit guarantee assessment rate, and the annual redemption rate for credit unions relating to the deficit financing assistance was reduced. The effect of the Agreement is the enhancement of capital development in credit unions.

Note 10 1994 Budget

The 1994 budget was approved by the Board of Directors on September 30, 1993.

Note 11 Approval of Financial Statements

The Board of Directors has approved these financial statements.

Schedule 1

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994		1993
	Budget	Actual	Actual
Deposit Guarantee Fund			
Salaries and benefits (Schedule 2)	\$2,820	\$2,797	\$2,399
Rental charges	271	253	253
Board and committee fees (Schedule 2)	210	148	187
Board and committee expenses	30	16	18
Staff travel	293	205	181
Office	137	102	114
Amortization	85	57	55
Professional fees	67	46	42
Special projects	33	5	13
Data processing	39	31	28
Advertising and communications	5	4	1
Other	94	56	53
	<u>4,084</u>	<u>3,720</u>	<u>3,344</u>
Allocation to Master Bond Fund	(200)	(197)	(200)
	<u>\$3,884</u>	<u>\$3,523</u>	<u>\$3,144</u>

Schedule 2

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

Position or Group	1994				1993 ⁷	
	Number of Individuals	Salary ¹	Benefits ²	Total	Number of Individuals	Total
Chairman of the Corporation ⁶	1	\$ 68	\$ —	\$ 68	1	\$ 101
Board Members ⁶	6	73	—	73	6	76
G.S.T.		<u>7</u>	<u>—</u>	<u>7</u>		<u>10</u>
Total fees	<u>7</u>	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ 148</u>	<u>7</u>	<u>\$ 187</u>
Chief Executive Officer ³	1	\$ 120	\$ 14	\$ 134	1	\$ 133
Senior management:						
Chief Financial Officer ³	1	84	10	94	1	95
Senior Manager, Operations	1	67	9	76	1	76
Senior Manager, Credit	1	70	9	79	1	78
Senior Manager, Credit	1	70	9	79	1	78
Vice President, Credit		41	6	47	1	104
Vice President, Information Services		34	6	40	1	88
Other managers:						
(Average 1994 \$68, 1993 \$66)	11	657	91	748	12	797
Other full-time staff:						
(Average 1994 \$40, 1993 \$39)	27	940	144	1,084	23	897
Part-time and casual staff	<u>2</u>	<u>59</u>	<u>10</u>	<u>69</u>	<u>1</u>	<u>50</u>
Termination benefits ⁵	<u>45</u> ⁴	<u>\$2,142</u>	<u>\$ 308</u>	<u>2,450</u>	<u>43</u> ⁴	<u>2,396</u>
				231		—
Accruals not specifically allocated net of deduction for total professional memberships and tuition included in benefits above				116		3
Total salaries and benefits expense				<u>\$2,797</u>		<u>\$2,399</u>

¹ In accordance with the directive of the Province of Alberta Treasury Board pursuant to the Financial Administration Act (Alberta). Salaries or fees include regular base pay and overtime or director fees.

² Benefits include contributions for Canada Pension Plan, Unemployment Insurance, Group Registered Retirement Savings Plan, Group Life Insurance, dental coverage, medical benefits, staff fund, professional memberships and tuition.

³ Automobile provided, no amount included in the benefits figure.

⁴ Represents full-time equivalent for the year.

⁵ Termination benefits include retiring allowances, vacation payouts and other settlement costs due to elimination of three positions.

⁶ The Chairman of the Board and Board Members are part-time positions. The Deputy Provincial Treasurer, Finance and Revenue, is a Board Member but received no remuneration from the Corporation.

⁷ The 1993 figures have been restated where necessary to conform to 1994 presentation.

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Operations and Deficit
Consolidated Statement of Changes in Financial Position
Notes to the Consolidated Financial Statements

AUDITOR'S REPORT

To the Shareholder of N.A. Properties (1994) Ltd.

I have audited the consolidated balance sheet of N.A. Properties (1994) Ltd. as at March 31, 1995 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 29, 1995

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1995

	1995	1994
ASSETS		
Cash	\$ 48,000	\$ 233,000
Accounts receivable	228,000	1,044,000
Investment	—	44,000,000
Mortgages, agreements for sale, and loans	10,722,000	30,190,000
Real estate properties (Note 4)	14,115,000	23,830,000
	25,113,000	99,297,000
Investment in Fund for Defeasance of Deficit Financing (Note 5)	78,300,000	70,735,000
	<u>\$103,413,000</u>	<u>\$170,032,000</u>
LIABILITIES		
Bank indebtedness (Note 6)	\$ 33,800,000	\$ 92,700,000
Accounts payable	1,396,000	4,650,000
	35,196,000	97,350,000
Present value of future obligations (Defeasance of Deficit Financing) (Note 5)	78,300,000	70,735,000
	113,496,000	168,085,000
Contingencies and commitments (Note 7)		
SHAREHOLDER'S EQUITY (DEFICIENCY)		
Share capital (Note 8)	5,769,000	5,769,000
Deficit	(15,852,000)	(3,822,000)
	(10,083,000)	1,947,000
	<u>\$103,413,000</u>	<u>\$170,032,000</u>
The accompanying notes are part of these consolidated financial statements.		

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	Budget (Note 11)	Actual Proforma (Note 1)
Revenue		
Real estate properties sold	\$ 10,823,000	\$ 4,525,000
Rental	3,967,000	3,859,000
Interest and other	1,455,000	1,088,000
Petroleum revenues	—	—
Gain on disposition of petroleum properties	—	—
	<u>16,245,000</u>	<u>9,472,000</u>
Expenses		
Cost of real estate properties sold	10,503,000	3,768,000
Rental operating expense	3,528,000	4,673,000
General and administrative	478,000	459,000
	<u>14,509,000</u>	<u>8,900,000</u>
Operating income before other items	1,736,000	572,000
Interest expense	5,885,000	5,335,000
Loss before provision for obligation and impairment in value of assets	(4,149,000)	(4,763,000)
Provision for obligation and impairment in value of assets (Note 9)	—	(9,502,000)
Loss for the year	<u>\$ (4,149,000)</u>	<u>(14,265,000)</u>
Deficit, beginning of year		(3,822,000)
Receipt from Province of Alberta on indemnity (Note 2)		2,235,000
Redemption of shares		—
Deficit, end of year		<u>\$ (3,822,000)</u>

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995		1994
	Budget (Note 11)	Actual	Proforma (Note 1)
Net inflow (outflow) of cash related to the following activities:			
Operating			
Loss for the year	\$ (4,149,000)	\$(14,265,000)	\$ (3,502,000)
Non-cash items			
Provision for obligation and impairment in value of assets	—	9,502,000	2,585,000
Funds used in operations	(4,149,000)	(4,763,000)	(917,000)
Costs recovered from sale of real estate properties	9,854,000	3,498,000	18,449,000
Assets acquired under agreements (Note 10)	(300,000)	(556,000)	—
Real estate properties acquisition and development costs	(120,000)	(57,000)	(661,000)
Mortgages			
Vendor take back mortgages on real estate properties sold	(3,798,000)	(1,448,000)	(8,766,000)
Mortgages sold	13,881,000	13,235,000	5,995,000
Principal reductions	8,995,000	5,820,000	5,014,000
Net change in non-cash balances relating to operations	(4,363,000)	(3,249,000)	1,596,000
	<u>20,000,000</u>	<u>12,480,000</u>	<u>20,710,000</u>
Investing			
Disposal of investments	44,000,000	44,000,000	14,224,000
Disposal of petroleum properties	—	—	2,632,000
Disposal of office furniture and equipment	2,000	—	16,000
	<u>44,002,000</u>	<u>44,000,000</u>	<u>16,872,000</u>
Financing			
Bank indebtedness	(66,267,000)	(58,900,000)	(24,300,000)
Receipt from Province of Alberta on indemnity (Note 2)	2,204,000	2,235,000	151,206,000
Notes payable to Credit Unions	—	—	(165,206,000)
Payment of mortgage	—	—	(1,636,000)
Payment to redeem share capital	—	—	(75,000)
	<u>(64,063,000)</u>	<u>(56,665,000)</u>	<u>(40,011,000)</u>
Net decrease in cash during the year	(61,000)	(185,000)	(2,429,000)
Cash, beginning of year	233,000	233,000	2,662,000
Cash, end of year	<u>\$ 172,000</u>	<u>\$ 48,000</u>	<u>\$ 233,000</u>

N.A. PROPERTIES (1994) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Amalgamation and Authority

The Company was continued on March 31, 1994 as an amalgamated corporation under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended. All issued shares of the Company are owned by the Province of Alberta and accordingly the Company is exempt from income tax.

N.A. Properties (1994) Ltd. was formed by the amalgamation of 354713 Alberta Ltd. and 391760 Alberta Ltd. and certain of their respective subsidiaries including N.A. Properties (1989) Ltd. and S C Properties Ltd., hereafter referred to as the predecessor companies. The amalgamation was accounted for as a "pooling of interest" whereby the assets and liabilities have been recorded at the values they were carried in the accounts of the predecessor companies.

The March 31, 1994 figures in the consolidated statements of operations and deficit and changes in financial position are a proforma presentation of the results of operations as if the amalgamation had occurred at the beginning of fiscal 1994.

Note 2 Nature of Operations

The Company was formed for the purpose of consolidating and continuing the operations of the predecessor companies. The Company will continue the mandate of disposition of all real estate properties, mortgages and other assets acquired.

The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company in its mandate of disposing of its assets.

In partial satisfaction of the indemnity, \$2,235,000 (1994 \$151,206,000) was recovered from the Province of Alberta.

Note 3 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and within the framework of the accounting policies summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Heritage Capital Ltd., Herco Developments Ltd., 365803 Alberta Ltd., 370831 Alberta Ltd., 325095 B.C. Ltd., 333310 B.C. Ltd., 356395 Alberta Ltd., and Terra Losa Centre Ltd. Separate audited financial statements have not been prepared for these subsidiaries as disclosure in these financial statements is adequate.

Order in Council 24/95 has approved the dissolution of the Company's wholly-owned subsidiaries Heritage Capital Ltd., Herco Developments Ltd., 365803 Alberta Ltd., 370831 Alberta Ltd., 325095 B.C. Ltd., and 333310 B.C. Ltd.

Mortgages, Agreements for Sale and Loans

Mortgages, agreements for sale and loans are stated at cost, which includes amounts advanced, interest capitalized, accrued taxes and other charges, less repayments and an allowance for anticipated losses. Where a mortgage or agreement for sale bears interest at a rate below the prevailing market at the date of real estate property sale, a discount is recorded which is amortized into income over the term of the mortgage or agreement for sale.

Real Estate Properties

Real estate properties are stated at the lower of cost and estimated market value as supported by independent external appraisals and management assessments. Development costs relating to properties are capitalized where supported by market values. The Company does not provide for amortization.

Investment in Fund for Defeasance of Deficit Financing

Investments consist of bond coupons and residuals and are stated at cost with any discount or premium amortized on the basis of the underlying yield to maturity. Carrying values of investments are written down when there is a permanent impairment in value.

Revenue Recognition

Gains or losses on the sale of real estate properties are determined as the excess or deficiency of the proceeds of disposition over the carrying value of the disposed properties. Gains are recorded in income on disposal except in instances where a significant portion of the proceeds is not received in cash. In such circumstances, gains are deferred and recorded in income when significant cash proceeds are received.

Note 4 Real Estate Properties

	1995	1994
Commercial	\$ 5,762,000	\$12,965,000
Land	8,551,000	11,275,000
Single family residential	337,000	714,000
Multi-family residential	366,000	366,000
	<u>15,016,000</u>	<u>25,320,000</u>
Less: Estimated selling costs	(901,000)	(1,490,000)
	<u>\$14,115,000</u>	<u>\$23,830,000</u>

Note 5 Investment in Fund for Defeasance of Deficit Financing/Present Value of Future Obligations

The Fund consists of Government of Canada and provincial bond coupons and residuals which, together with the income earned thereon, is expected to accumulate to the sum of \$335,000,000 on October 31, 2010. At that time, the Fund will be used to repay the principal of any outstanding debentures issued to Credit Unions under the terms of the Credit Union Deficit Financing Agreement dated October 31, 1986 and any excess will be paid to the Province. Credit Union Deposit Guarantee Corporation (CUDGC) will be responsible for any deficiency in the Fund.

Investments

	1995	1994
Government of Canada and Provincial bond coupons and residuals (market value \$87,533,000, 1994 \$78,857,000)	<u>\$78,300,000</u>	<u>\$70,735,000</u>

As the income earned on these investments in the amount of \$7,565,000 (1994 \$9,980,000) does not accrue to the benefit of the Company, but rather to the benefit of the holders of the debentures and the Province, it is not included in income.

Present Value of Future Obligations

Based on repayments of debentures by S C Financial Ltd. (SCF), a wholly-owned subsidiary of CUDGC, up to and including the Credit Unions' October 31, 1994 year end, the future obligations at October 31, 2010 would be \$316,164,000 to the Credit Unions and \$18,836,000 to the Province. These amounts will change based on future repayments of debentures through to October 31, 2010.

Interest on these debentures is at a rate per annum equal to the lesser of 14% and prime, and is payable by SCF.

Note 6 Bank Indebtedness

	<u>1995</u>	<u>1994</u>
Alberta Treasury Branch demand bank loans bearing interest at a rate per annum of prime	<u>\$33,800,000</u>	<u>\$92,700,000</u>

Note 7 Contingencies and Commitments

The Company has provided guarantees of principal and interest on mortgages sold to North West Trust Company. Effective December 31, 1994, North West Trust Company was amalgamated with Canadian Western Bank and is currently operating as Canadian Western Bank. The principal and interest on these mortgages totalled \$58,997,000 at March 31, 1995 (1994 \$56,129,000). The Company's guarantees expire in part in 2001, 2002, 2003 and in full in 2016.

In anticipation of a claim, the Company has included a reserve of \$808,000 in its provision for obligation and impairment in value of assets.

Note 8 Share Capital

Authorized

- Unlimited number of Class "A" voting shares
- Unlimited number of Class "B" voting shares
- Unlimited number of Class "C" non-voting shares
- Unlimited number of Class "D" non-voting shares
- Unlimited number of Class "E" voting shares
- Unlimited number of Class "F" non-voting shares

	<u>1995</u>	<u>1994</u>
Issued		
1 Class "A" share	\$5,768,000	\$5,768,000
1,000 Class "B" shares	<u>1,000</u>	<u>1,000</u>
	<u>\$5,769,000</u>	<u>\$5,769,000</u>

Note 9 Provision for Obligation and Impairment in Value of Assets

	<u>1995</u>	<u>1994</u>
Land impairments	\$ 865,000	\$ 390,000
Commercial and office impairments	7,032,000	151,000
Mortgage provisions	797,000	644,000
Mortgage obligations	<u>808,000</u>	<u>1,400,000</u>
	<u>\$9,502,000</u>	<u>\$2,585,000</u>

Real estate impairments have been estimated based on recently accepted offers, real estate appraisals and management estimates based on current market conditions.

Mortgage provisions and obligations arising from guarantees have been estimated based on mortgage repayment performance and foreclosures.

Note 10 Related Party Transactions

Details of related party transactions entered into by the company in the normal course of business are as follows:

- (a) The company entered into transactions with North West Trust Company (now amalgamated with and known as Canadian Western Bank) whereby it sold mortgages at fair market value for a total consideration of \$12,684,000 (1994 \$6,026,000). Under the terms of the sales agreements, the Company reacquired mortgages in the amount of \$556,000 in 1995 (1994 nil).

The company paid mortgage administration fees of \$75,000 (1994 \$229,000) to North West Trust Company.

- (b) The company obtained a portion of its legal services, at competitive rates, from a firm in which a director is a partner. The fees paid to this firm amounted to \$87,000 for the year ended March 31, 1995 (1994 \$231,000).

- (c) The company entered into an arm's length contract with an independent private sector party to provide management services. Management and development fees and commissions were paid in the amount of \$451,000 (1994 \$974,000).

Note 11 Budget

The 1995 budgets of the predecessor companies were approved by the shareholder on May 31, 1994.

Note 12 Directors' Fees and Salaries

	1995		1994
	Number of Individuals	Total	Total
Directors	3	\$33,060	\$34,967
President (also a Director)		25,050	27,750
		<u>\$58,110</u>	<u>\$62,717</u>

The company had no employees in 1995 and 1994.

Note 13 Comparative Figures

Certain 1994 figures have been reclassified to conform to 1995 presentation.

Note 14 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.

S C FINANCIAL LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Balance Sheet
Statement of Income
Notes to the Financial Statements

AUDITOR'S REPORT

The Shareholder of
S C Financial Ltd.

I have audited the balance sheet of S C Financial Ltd. as at December 31, 1994 and the statement of income for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
March 8, 1995

S C FINANCIAL LTD.
BALANCE SHEET
DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Cash	\$1	\$1
Stabilization Preferred Shares (Note 3)	<u>—</u>	<u>—</u>
	<u>\$1</u>	<u>\$1</u>
SHAREHOLDER'S EQUITY		
Share capital		
Authorized - Unlimited number of Class A shares		
Issued - 10 Class A shares	<u>1</u>	<u>1</u>
	<u>\$1</u>	<u>\$1</u>
The accompanying notes are part of these financial statements.		

S C FINANCIAL LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
	Budget (Note 5)	Actual
Revenue:		Actual
Recovery on indemnity from the Province of Alberta (Note 3)	\$15,004	\$ 9,306
Recovery on guarantee from Credit Union Deposit Guarantee Corporation (Note 3)	—	7,781
Special contribution from Credit Union Deposit Guarantee Corporation (Note 1)	<u>4,000</u>	<u>4,055</u>
	19,004	19,952
Expense:		
Interest on debentures (Note 3)	<u>19,004</u>	<u>21,142</u>
Net income for the year	<u>\$ —</u>	<u>\$ —</u>

S C FINANCIAL LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Nature of Operations

S C Financial Ltd. (the Company) was incorporated on May 29, 1986 under the Alberta Business Corporations Act, as a wholly owned subsidiary of the Credit Union Deposit Guarantee Corporation (CUDGC), a Provincial Corporation. The Company is a deposit insurance corporation by virtue of it being a wholly owned subsidiary of a deposit insurance corporation. Accordingly, it is treated as such for income tax purposes.

Pursuant to the Credit Union Deficit Financing Agreement, the Company provided deficit financing assistance to supervised credit unions. In 1986, Stabilization Preferred Shares Series B were issued by credit unions to the Company in exchange for debentures totalling \$335,000,000. CUDGC provided funds to the Company to purchase investments which will accumulate to \$335,000,000 at October 31, 2010 in order to repay debentures outstanding and the Province of Alberta (Province) at that date (Note 3). Pursuant to an agreement effective January 1, 1992, the Company transferred the assets of the fund to N.A. Properties (1994) Ltd. (wholly owned by the Province). In exchange, N.A. Properties (1994) Ltd. assumed the Company's obligation to pay \$335,000,000.

In 1989, CUDGC contributed \$12,524,000 to the Company to provide cash deficit financing assistance to supervised credit unions in exchange for Stabilization Preferred Shares Series B.

The Credit Union Restructuring Agreement requires CUDGC to make an annual special contribution equal to .11% of credit union deposits and borrowings (loans payable) to the Company as directed by the Province, each year through to 2010. For the 1994 fiscal year, the special contribution was \$4,055,000 (1993 \$3,967,000).

Note 2 Significant Accounting Policy

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Stabilization Preferred Shares

The Stabilization Preferred Shares Series B have no value to the Company itself because any redemptions thereon flow through the Company and accrue to the benefit of the Province or CUDGC. Therefore, these shares do not appear as an asset with value on the balance sheet of the Company.

The Stabilization Preferred Shares are non-voting and are not entitled to dividends. They are redeemable at the option of the credit unions for the issue price, or otherwise shall be redeemed in an amount equal to 25% through 1999 inclusive, and 50% thereafter, of the annual net income of the credit unions. Any funds received in respect of redemption of the Stabilization Preferred Shares are used on a pro rata basis to repay the debentures and/or CUDGC. The amount of debentures outstanding after the 1994 redemptions is \$316,164,000 at October 31, 1994. The future obligation of N.A. Properties (1994) Ltd. (see Note 1) would be \$316,164,000 to the credit unions and \$18,836,000 to the Province at October 31, 2010. These amounts will change based on annual redemptions through to October 31, 2010. The present value of this future obligation is \$76,409,000 which is supported by assets totalling \$76,409,000 held by N.A. Properties (1994) Ltd.

On a quarterly basis, the Company pays interest on the debentures at the lesser of 14% or prime. CUDGC, with an indemnity from the Province, guarantees payment of the interest. During 1994, the Corporation agreed to pay to the Company \$7,781,000 from the funds received by way of prescribed assessments from credit unions, under its guarantee on the debenture interest.

Note 4 Due to Related Parties

Transactions with related parties are undertaken to meet funding commitments under the Credit Union Deficit Financing Agreement and Credit Union Restructuring Agreement. Balances have been disclosed on a net basis in these financial statements to reflect the flow-through nature of the transactions.

	1994	1993
	(thousands of dollars)	
Redemption of Stabilization Preferred Shares:		
Due from credit unions	\$ 1,297	\$ 1,113
Due to credit unions on repayment of debentures	(1,261)	(1,071)
Due to Credit Union Deposit Guarantee Corporation	(36)	(42)
	<u>—</u>	<u>—</u>
Interest on debentures:		
Due to credit unions	(3,841)	(2,999)
Due to Province to fund interest	(214)	(968)
Due from Credit Union Deposit Guarantee Corporation		
- special contribution	4,055	3,967
	<u>—</u>	<u>—</u>
	<u>\$ —</u>	<u>\$ —</u>

Note 5 1994 Budget

The 1994 budget was approved by the Board of Directors on September 30, 1993.

Note 6 Approval of Financial Statements

These financial statements have been approved by the Board of Directors.

TREASURY BRANCHES DEPOSITS FUND
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Statement of Assets and Liabilities
Statement of Income
Statement of Equity
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the statement of assets and liabilities of the Treasury Branches Deposits Fund as at March 31, 1995, and the statements of income, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 12, 1995

TREASURY BRANCHES DEPOSITS FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 1995
(\$ in thousands)

	<u>1995</u>	<u>1994</u>
ASSETS		
Cash resources		
Cash and deposit with Bank of Canada	\$ 67,712	\$ 56,171
Deposits with other banks	324,734	151,556
Cheques and other items in transit, net	<u>20,988</u>	<u>35,017</u>
	413,434	242,744
Securities (Note 3)		
Issued or guaranteed by Canada	219,259	85,703
Issued or guaranteed by provinces, municipalities and school districts	4,753	49,029
Other securities	<u>381,856</u>	<u>152,582</u>
	605,868	287,314
Loans net of allowance for credit losses (Notes 4 and 5)		
Mortgage loans	2,378,862	2,287,893
Consumer loans	809,172	724,443
Other loans	<u>4,658,399</u>	<u>4,480,815</u>
	7,846,433	7,493,151
Other		
Land, buildings and equipment (Note 6)	72,044	61,850
Other assets (Note 7)	<u>218,064</u>	<u>110,669</u>
	290,108	172,519
	<u>\$9,155,843</u>	<u>\$8,195,728</u>
LIABILITIES		
Deposits (Note 8)		
Payable on demand	\$1,285,697	\$1,190,725
Payable after notice	1,376,755	1,414,925
Payable on a fixed date	<u>6,290,874</u>	<u>5,524,192</u>
	8,953,326	8,129,842
Other liabilities (Notes 9 and 10)	259,954	158,098
Equity (deficit)	<u>(57,437)</u>	<u>(92,212)</u>
	<u>\$9,155,843</u>	<u>\$8,195,728</u>
The accompanying notes are part of these financial statements.		

TREASURY BRANCHES DEPOSITS FUND
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1995
(\$ in thousands)

	<u>1995</u>	<u>1994</u>
Interest income		
Income from loans	\$651,525	\$572,258
Income from securities	29,222	16,535
Income from deposits with banks	<u>13,026</u>	<u>13,044</u>
	693,773	601,837
Interest expense		
Interest on deposits	<u>450,351</u>	<u>389,484</u>
Net interest income	243,422	212,353
Provision for credit losses (Note 5)	<u>74,566</u>	<u>69,513</u>
Net interest income after provision for credit losses	168,856	142,840
Other income	<u>62,250</u>	<u>64,099</u>
Net interest and other income	231,106	206,939
Non-interest expense		
Salaries and staff benefits (Note 11)	114,748	114,787
Premises and equipment expenses, including amortization	39,537	36,812
Other expenses	<u>42,046</u>	<u>30,879</u>
	196,331	182,478
Net income	<u>\$ 34,775</u>	<u>\$ 24,461</u>

TREASURY BRANCHES DEPOSITS FUND
STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1995
(\$ in thousands)

	1995	1994
Equity (deficit) at beginning of year	\$ (92,212)	\$(116,673)
Net income	34,775	24,461
Equity (deficit) at end of year	<u>\$ (57,437)</u>	<u>\$ (92,212)</u>

TREASURY BRANCHES DEPOSITS FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(\$ in thousands)

	1995	1994
Cash flows from operating activities		
Net income for the year	\$ 34,775	\$ 24,461
Adjustments to determine net cash provided by operating activities:		
Provision for credit losses	74,566	69,513
Amortization	13,322	12,107
Increase in unfunded pension liability	3,686	452
Net (increase) decrease in other assets	(107,395)	23,711
Net increase (decrease) in other liabilities excluding increase in pension liability	98,170	(19,786)
	<u>117,124</u>	<u>110,458</u>
Cash flows from financing activities		
Net increase in deposits payable on demand	94,972	218,038
Net (decrease) in deposits payable after notice	(38,170)	(18,910)
Net increase in deposits payable on a fixed date	766,682	280,719
	<u>823,484</u>	<u>479,847</u>
Cash used in investing activities		
Net increase (decrease) in non-operating deposit balances with other banks	174,148	(132,175)
Net increase in securities	318,554	12,329
Net increase in mortgage loans	90,969	188,757
Net increase in personal loans	84,250	122,043
Net increase in other loans	252,629	306,662
Net increase in land, buildings and equipment	23,516	19,252
	<u>944,066</u>	<u>516,868</u>
Net (decrease) increase in cash	(3,458)	73,437
Cash at beginning of year	97,725	24,288
Cash at end of year	<u>\$ 94,267</u>	<u>\$ 97,725</u>
Consists of:		
Cash and deposits with Bank of Canada	\$ 67,712	\$ 56,171
Operating deposit balances with other banks	5,567	6,537
Cheques and other items in transit, net	20,988	35,017
	<u>\$ 94,267</u>	<u>\$ 97,725</u>

TREASURY BRANCHES DEPOSITS FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Authority

The Treasury Branches Deposits Fund (the "Fund") operates under the authority of the Treasury Branches Act, Chapter T-7, Revised Statutes of Alberta 1980, as amended.

Note 2 Significant Accounting Policies

(a) Securities

Securities are carried at cost or amortized cost, adjusted to recognize other than temporary impairment in the underlying value. Securities are purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year in which they occur.

(b) Loans

Loans are stated net of any unearned income and an allowance for loan losses established to recognize anticipated losses. Interest is recorded on the accrual basis for all satisfactory loans and accrued interest on loans is reported in other assets in the Statement of Assets and Liabilities.

A loan is classified as non-accrual when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of some portion of principal or interest. A loan where payment of interest is contractually past due 90 days is classified as non-accrual unless management determines there is no reasonable doubt as to the ultimate collectibility of interest or principal and, without exception, is classified as non-accrual when interest or principal is past due 180 days. When a loan is classified as non-accrual, all uncollected interest is reversed against interest income of the current year. Interest payments received on a loan subsequent to its classification as non-accrual are not recorded as income until such time as any specific provision has been reversed and it is deemed that the loan principal is no longer at risk.

An allowance for credit losses is maintained in an amount considered adequate to absorb credit losses. Credit losses arise primarily from loans but also from credit instruments such as loan guarantees and letters of credit. The allowance is increased by a provision for credit losses which is charged to income and reduced by write offs net of recoveries.

Specific provisions on loans are established on an individual loan basis to reduce the book values to estimated realizable values. In addition, a general provision on loans is established which is prudential in nature and is required to absorb losses inherent in the loan portfolio.

The allowance for credit losses is deducted from the related asset category except amounts provided for loan guarantees and letters of credit which are included in other liabilities.

Loan fees are recognized in income over the appropriate lending or commitment period.

(c) Land, Buildings and Equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets.

The maximum life limits for the various classes are as follows:

Buildings	to 20 years
Leasehold improvements	to 10 years
Computer equipment	to 5 years
Other equipment	to 10 years

Gains and losses on the disposal of capital assets are recorded in the Statement of Income in the year of disposal.

(d) Translation of Foreign Currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates.

Foreign currency income and expenses are translated into Canadian dollars at the average rate throughout the year.

Realized and unrealized gains and losses on foreign currency transactions are included in other income in the Statement of Income. Foreign exchange positions are hedged as much as practicable by forward exchange contracts.

(c) Interest Rate Swaps

The Fund enters into interest rate swap transactions in order to manage the risks associated with its interest rate exposures.

The net income or expense related to swap transactions is deferred and recognized over the term of the swap agreement as an adjustment to interest income or interest expense in the Statement of Income.

Note 3 Securities
(\$ in thousands)

All securities held at March 31, 1995 mature within one year.

The cost or amortized cost of securities approximates the market value of securities as at March 31, 1995. Included in securities issued or guaranteed by provinces, municipalities and school districts are various Province of Alberta investments totalling \$4,753 (1994 \$31,830).

Note 4 Loans
(\$ in thousands)

Loans are stated net of an allowance for credit losses established to recognize anticipated losses, and are summarized as follows:

	1995	1994
Residential mortgages and personal financing	\$3,170,827	\$3,001,312
Agricultural programs	1,043,521	1,008,648
Independent business programs	849,803	689,116
Commercial loans and mortgages	2,240,456	2,151,780
Municipal and other government	26,127	48,851
General purpose	272,609	271,625
Foreign currency	78,969	99,431
Renegotiated reduced rate	29,118	4,426
Non-accrual	135,003	217,962
	<u>\$7,846,433</u>	<u>\$7,493,151</u>

Loans to an Alberta Crown-controlled corporation in the amount of \$34,150 (1994 \$92,700) are included in commercial loans and mortgages.

Note 5 Allowance for Credit Losses
(\$ in thousands)

	1995	1994
Balance at beginning of year	\$ 278,114	\$ 254,960
Provision for credit losses charged to the Statement of Income	74,566	69,513
Write offs, net of recoveries	(120,742)	(46,359)
Balance at end of year	<u>\$ 231,938</u>	<u>\$ 278,114</u>

Note 6 Land, Buildings and Equipment
(\$ in thousands)

Land, buildings and equipment are summarized as follows:

	1995		1994	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	\$ 7,813	\$ —	\$ 7,813	\$ 7,910
Branch premises	52,325	28,403	23,922	23,836
Equipment	83,847	57,001	26,846	19,329
Staff housing	3,616	1,314	2,302	1,166
Leasehold improvements	26,293	15,384	10,909	9,388
Automobiles	468	216	252	221
	<u>\$174,362</u>	<u>\$102,318</u>	<u>\$ 72,044</u>	
March 31, 1994	<u>\$153,250</u>	<u>\$ 91,400</u>		<u>\$ 61,850</u>

Note 7 Other Assets
(\$ in thousands)

Other assets are summarized as follows:

	1995	1994
Accrued interest receivable	\$123,634	\$ 98,641
Other items, including accounts receivable, foreign exchange contracts and prepaid items	94,430	12,028
	<u>\$218,064</u>	<u>\$110,669</u>

Note 8 Deposits
(\$ in thousands)

The repayment of all deposits, including accrued interest is guaranteed by the Crown in right of Alberta.

Deposits are summarized as follows:

	1995	1994
Deposits by the Province of Alberta	\$ 355,648	\$ 424,972
Deposits by others	8,597,678	7,704,870
	<u>\$8,953,326</u>	<u>\$8,129,842</u>

Deposits by the Province of Alberta include deposits for loans made under the Alberta Farm Credit Stability Program and the Alberta Small Business Term Assistance Plan in the amount of \$347,554 (1994 \$420,190).

Note 9 Other Liabilities
(\$ in thousands)

Other liabilities are summarized as follows:

	1995	1994
Accrued interest payable	\$119,441	\$ 96,928
Other items, including accounts payable, foreign exchange contracts, pension liability, and accruals	140,513	61,170
	<u>\$259,954</u>	<u>\$158,098</u>

Note 10 Pension Liability
(\$ in thousands)

The Fund participates with other employers in the Public Service and Management Employees pension plans. These plans provide pensions for the Fund's employees based on years of service and earnings.

The Fund had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	1995			1994
	Public Service Pension Plan	Management Employees Pension Plan	Total	Total
Balance at the beginning of year	\$ 5,905	\$12,135	\$18,040	\$17,588
Increase during the year	1,164	2,522	3,686	452
Balance at the end of year	<u>\$ 7,069</u>	<u>\$14,657</u>	<u>\$21,726</u>	<u>\$18,040</u>

The total unfunded pension liability for each plan as at March 31, 1995 was determined by actuarial valuations, as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1995. The 1994 comparative figures were based on extrapolations of December 31, 1991 actuarial valuations.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Fund's portion of those employers' liabilities was based on the Fund's percentage of the total pensionable payroll of all employers.

The total liability is recorded in the Statement of Assets and Liabilities under other liabilities. The change in the year is included in the Statement of Income under salaries and staff benefits.

Note 11 Disclosure of Salaries and Benefits

	1995					1994	
	Number of Persons	Salary	Benefits and Allowances	Vacation Payouts	Total	Number of Persons	Total
Superintendent (vacation payout of \$31,256 was paid to retiring Superintendent effective May 31, 1994)	1	\$ 104,144	\$ 12,206	\$ 31,256	\$ 147,606	1	\$ 110,914
Deputy Superintendent	1	94,977	5,044	—	100,021	1	101,922
Vice-Superintendent, General Offices	1	93,244	13,478	3,930	110,652	1	110,148
Vice-Superintendent, Administration	1	96,144	13,308	10,719	120,171	1	111,502
Vice-Superintendent, Credit	1	93,227	13,468	—	106,695	1	117,041
Chief Financial Officer (position effective June 1, 1994)	1	60,340	10,133	2,774	73,247	—	—
Other managers (average 1995 \$53,715, 1994 \$59,563)	550	23,837,533	5,325,299	380,456	29,543,288	515	30,674,883
Other salaried staff (average 1995 \$29,416, 1994 \$28,355)	2,617	66,067,066	10,914,314	—	76,981,380	2,690	76,274,778
Non-salaried staff		<u>6,188,531</u>	<u>367,746</u>	<u>—</u>	<u>6,556,277</u>		<u>5,833,949</u>
		<u>\$96,635,206</u>	<u>\$16,674,996</u>	<u>\$ 429,135</u>	<u>113,739,337</u>		<u>113,335,137</u>
Employer costs of other benefits and accruals not specifically allocated					<u>1,008,573</u>		<u>1,452,315</u>
Total salary and staff benefits expense					<u>\$114,747,910</u>		<u>\$114,787,452</u>

- (1) Salary includes regular base pay, overtime, lump sum payments and any other direct cash remuneration.
- (2) Benefits and allowances consist of payments made on behalf of employees including pension, health care, dental coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, UIC and CPP, professional memberships and tuition. The benefits and allowances figure also includes the cost of additional benefits such as staff suggestion awards, retirement awards, awards for achievement, savings plans, relocation allowance and car allowances.
- (3) Automobiles are provided for the Superintendent, Deputy Superintendent, Vice-Superintendents and the Chief Financial Officer, no amounts are included in the benefits and allowances figures.
- (4) The number of persons represents staff at March 31. Average salaries are calculated using these figures as staff levels were consistent throughout the year.

Note 12 Related Party Transactions
(\$ in thousands)

In the ordinary course of business, the Fund provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties.

Note 13 Leases
(\$ in thousands)

The Fund has obligations under long-term non-cancellable operating leases for premises. The future minimum lease payments for each of the next five years and thereafter are:

Year ending March 31,	
1996	\$12,882
1997	12,022
1998	10,283
1999	8,706
2000	5,843
2001 and thereafter	<u>24,171</u>
	<u>\$73,907</u>

Note 14 Contingent Liabilities
(\$ in thousands)

In the normal course of business, the Fund has various outstanding contingent liabilities which include letters of credit, letters of guarantee, loan guarantees and the Fund's liability for certain items relating to unclaimed deposit balances and remittances which are not included in the Statement of Assets and Liabilities.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, the Fund has recourse against the customers.

Contingent liabilities are summarized as follows:

	1995	1994
Guarantees	\$475,587	\$124,645
Letters of credit	8,112	10,451
Unclaimed items	3,657	3,342
	<u>\$487,356</u>	<u>\$138,438</u>

Various actions and legal proceedings arising from the normal course of business are pending against the Fund. Management considers the aggregate liability, if any, of these actions and proceedings, to be immaterial.

Note 15 Off-Balance Sheet Commitments
(\$ in thousands)

In the normal course of business, the Fund enters into off-balance sheet interest rate swaps to manage exposures to fluctuations in interest rates. These interest rate swaps are not included in the Statement of Assets and Liabilities.

The notional amounts of the interest rate swaps at March 31, 1995 was \$288,695 (1994 \$287,650). The notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Management does not anticipate any material loss as a result of these transactions.

Note 16 Comparative Figures

The 1994 figures have been reclassified where necessary to conform to 1995 presentation.

Note 17 Approval of Financial Statements

These financial statements were approved by management.

473654 ALBERTA LTD.
(in liquidation)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Liquidation Activities and Deficit
Consolidated Statement of Cash Flow
Notes to the Consolidated Financial Statements

AUDITOR'S REPORT

To the Member of
The Alberta Government Telephones Commission

I have audited the consolidated balance sheet of 473654 Alberta Ltd. as at December 31, 1994 and the consolidated statements of liquidation activities and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 3 to the financial statements.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 3, 1995

473654 ALBERTA LTD.
(in liquidation)
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Accounts receivable, net	\$ 1,782	\$ 3,494
Taxes recoverable (Note 4)	171	2,297
Amount recoverable - legal action (Note 5)	91	218
Receivable from Northern Telecom Limited (Note 6)	—	172
	<u>\$ 2,044</u>	<u>\$ 6,181</u>
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Bank overdraft (Note 7)	\$ 783	\$ 1,543
Due to the Province of Alberta (Note 8)	250,000	250,000
Accounts payable (Note 12)	1,669	1,634
Termination and closure cost accruals (Note 9)	511	4,009
	<u>252,963</u>	<u>257,186</u>
Shareholder's deficiency:		
Share capital (Note 10)	159,401	159,401
Deficit	<u>(410,320)</u>	<u>(410,406)</u>
	<u>(250,919)</u>	<u>(251,005)</u>
	<u>\$ 2,044</u>	<u>\$ 6,181</u>

The accompanying notes are part of
these consolidated financial statements.

473654 ALBERTA LTD.
(in liquidation)
CONSOLIDATED STATEMENT OF LIQUIDATION ACTIVITIES AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
Gain (loss) on revaluation of assets:		
Accounts receivable	\$ 469	\$ 2,075
Amount recoverable - legal action (Note 5)	<u>(30)</u>	<u>(68)</u>
	<u>439</u>	<u>2,007</u>
Loss on revaluation of liabilities:		
Termination and closure costs	(332)	(152)
Accounts payable	<u>—</u>	<u>(225)</u>
	<u>(332)</u>	<u>(377)</u>
Gain on realization of assets:		
Receivable from Northern Telecom Limited	32	
Tax recoveries	12	7
Gain on sale of assets	<u>—</u>	<u>753</u>
	<u>44</u>	<u>760</u>
Gain on liquidation activities before expenses	<u>151</u>	<u>2,390</u>
Expenses:		
Interest	131	1,678
Foreign exchange loss (gain)	<u>(66)</u>	<u>81</u>
	<u>65</u>	<u>1,759</u>
Net gain for the year	86	631
Deficit at beginning of year	<u>(410,406)</u>	<u>(411,037)</u>
Deficit at end of year	<u>\$ (410,320)</u>	<u>\$ (410,406)</u>

473654 ALBERTA LTD.
(in liquidation)
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
Cash receipts:		
Accounts receivable	\$ 2,262	\$ 6,121
Tax recoveries	2,211	1,315
Receipt (payment) on behalf of Northern Telecom Limited (Note 6)	210	(1,800)
Amount recovered - legal action (Note 5)	105	2,358
Received from the Province of Alberta pursuant to the guarantee agreement	—	250,000
Received from related companies	—	9,471
Sale of other assets	—	851
	<u>4,788</u>	<u>268,316</u>
Cash disbursements:		
Termination and closure costs	3,848	4,981
Interest	131	1,678
Foreign exchange	49	427
Accounts payable	—	765
	<u>4,028</u>	<u>7,851</u>
Decrease in bank overdraft for the year	760	260,465
Bank overdraft at beginning of year	(1,543)	(262,008)
Bank overdraft at end of year	<u>\$ (783)</u>	<u>\$ (1,543)</u>

473654 ALBERTA LTD.
(in liquidation)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994

Note 1 Authority

The Company was incorporated under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981, as amended. All issued and outstanding shares of the Company are owned by The Alberta Government Telephones Commission (Commission). The Commission is a Provincial corporation and, accordingly, the Company is exempt from income tax in Canada.

Note 2 Nature of Operations

Effective December 31, 1990, the Company and its wholly owned subsidiary 475342 Alberta Ltd. (475342) each acquired 50% of NovAtel Communications Ltd. (NovAtel) from TELUS Corporation. On May 25, 1992 the Company sold certain NovAtel assets to Northern Telecom Limited (Northern). On May 29, 1992, the Company sold all shares in NovAtel to Telexel Holding Limited for \$3 million and assumed certain NovAtel assets, liabilities and contingent liabilities. Since May 29, 1992, the Company and its subsidiaries have been in liquidation under the direction of a manager.

Note 3 Summary of Significant Accounting Policies

The Company is in liquidation and the consolidated financial statements have been prepared in accordance with the following principles.

(a) Basis of consolidation

These financial statements include the accounts of the wholly owned subsidiaries 475342 and NovAtel Communications Inc. (NCI), an Atlanta, Georgia based company. All significant transactions between these companies and 473654 have been eliminated.

(b) Valuation of assets and liabilities

Consistent with companies which are liquidating their operations, all assets and liabilities are reflected at their estimated realizable value at December 31, 1994. Any gains or losses arising from revaluation of the assets and liabilities are recognized in the net gain for the year.

The value of the assets and liabilities are based on the manager's best estimates. Significant amounts received, payments made, and the results of any negotiated settlements subsequent to the balance sheet date were considered when estimating the value of the assets and liabilities.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Gains and losses are translated at the average exchange rate prevailing during the year.

Gains or losses from foreign currency translation are recognized in the net gain for the year.

Note 4 Taxes Recoverable

Taxes recoverable consist of the following:

	<u>1994</u>	<u>1993</u>
Provincial sales tax	\$ 117,000	\$ —
Withholding tax - U.S.A.	52,000	1,598,000
Goods and Services Tax	2,000	12,000
State income taxes - U.S.A.	—	407,000
Duty drawback	—	280,000
	<u>\$ 171,000</u>	<u>\$2,297,000</u>

The Company paid \$117,000 to the Province of Ontario as a result of a sales tax assessment during the year. The Company intends to object to the assessment and, based on the opinion of its professional advisers, expects to recover the amount paid.

Withholding taxes paid to the Internal Revenue Service on intercorporate dividends are recoverable by the Company. During the year, the company recovered \$1,668,000 of 1993 withholding tax paid, and expects to recover 1994 withholding tax of \$52,000 in 1995.

Note 5 Amount Recoverable - Legal Action

The legal action relates to a claim against former NovAtel Carcom Inc. (Carcom) employees and others for fraud. Carcom was a subsidiary of NovAtel. During the year, the Company received \$105,000 (1993 \$2,358,000) in cash as partial settlement of its claim.

Legal action recoverable has been reduced by \$30,000 (1993 \$68,000) to reflect the value of remaining settlement amounts.

Note 6 Receivable from Northern Telecom Limited

As a result of the sale of assets to Northern in 1992, Northern assumed responsibility for invoicing and collecting amounts due to NCI for contracts in process. Northern reimbursed \$210,000 to NCI during the year.

Note 7 Bank Overdraft

The bank overdraft is guaranteed by the Province of Alberta (Province) and is secured by a general assignment of book debts and a general security agreement.

Note 8 Due to the Province of Alberta

The amount due to the Province is interest free, payable on demand and secured by a general assignment of book debts and a general security agreement.

Note 9 Termination and Closure Cost Accruals

At May 29, 1992, an accrual was recorded for costs expected to be incurred in the Company's liquidation. The accrual included projected costs through the completion of the liquidation for items such as employee severance, litigation settlements, and management and legal services. The accrual is reduced as these costs are paid, and adjusted to reflect revised estimates in projected costs.

Note 10 Share Capital

	<u>1994</u>	<u>1993</u>
Authorized		
Unlimited number of common shares		
Issued		
15,940,100 common shares	<u>\$159,401,000</u>	<u>\$159,401,000</u>

Note 11 Contingencies

As a condition of the sale of NovAtel, the Company assumed the liabilities resulting from the settlement of several lawsuits against NovAtel that existed at May 29, 1992. An estimate of the cost of defending and/or settling these claims has been included in the accrual for termination and closure costs at December 31, 1994.

The Company and NovAtel filed a Statement of Claim for the payment of commissions due under a commission agreement between NovAtel and a cellular systems manufacturer. An estimate of the potential recovery for the benefit of the Company cannot be made.

The Company is party to several other lawsuits, the potential outcomes of which are not determinable, and as a result, an estimate of loss cannot be made. Gains or losses resulting from these lawsuits will be recorded in the period of settlement or, if and when the outcome becomes reasonably determinable.

Note 12 Related Party Transactions

Included in accounts payable is an amount of \$667,000 in respect of a loan guarantee fee owing to the Province of Alberta.

Note 13 Salaries and Benefits

The company did not pay any salaries or benefits to their officers and sole director in 1994 and 1993.

Note 14 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 15 Approval of Financial Statements

These financial statements have been approved by the Commission.

496072 ALBERTA LTD. AND
NFI FINANCE, INC.
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1994

Auditor's Report
Combined Balance Sheet
Combined Statement of Income and Retained Earnings
Combined Statement of Changes in Financial Position
Notes to the Combined Financial Statements

AUDITOR'S REPORT

To the Shareholder of
496072 Alberta Ltd. and NFI Finance, Inc.

I have audited the combined balance sheet of 496072 Alberta Ltd. and NFI Finance, Inc. as at December 31, 1994 and the combined statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of the companies as at December 31, 1994 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
February 24, 1995

496072 ALBERTA LTD. AND NFI FINANCE, INC.
COMBINED BALANCE SHEET
AS AT DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
ASSETS		
Accounts receivable	\$ 26	\$ 204
Accrued interest	916	1,230
Notes receivable (Note 4)	86,190	218,829
Property held for sale	2,532	6,859
	<u>\$ 89,664</u>	<u>\$227,122</u>
LIABILITIES		
Bank indebtedness (Note 5)	\$ 33,932	\$212,005
Accounts payable and accrued liabilities	2,864	1,048
Deferred income taxes	19,800	—
Agreement payable	—	1,800
Deferred interest and foreign exchange gain	—	251
	<u>56,596</u>	<u>215,104</u>
SHAREHOLDER'S EQUITY		
Capital stock (Note 6)	—	—
Retained earnings	31,804	11,749
Foreign currency translation adjustments (Note 7)	1,264	269
	<u>33,068</u>	<u>12,018</u>
	<u>\$ 89,664</u>	<u>\$227,122</u>

The accompanying notes are part of these combined financial statements.

496072 ALBERTA LTD. AND NFI FINANCE, INC.
COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(thousands of dollars)

	1994	1993
	Budget	Actual
	(Note 11)	Actual
Revenue:		
Interest and fees	\$13,471	\$15,644
Earn-out (Note 8)	5,125	6,000
Rental	231	530
Amortization of foreign exchange gains	—	297
	<u>18,827</u>	<u>22,471</u>
Expense:		
Interest	6,850	6,030
Management fees (Note 9)	4,382	4,765
Professional fees	577	439
Other	54	76
	<u>11,863</u>	<u>11,310</u>
Net income before recoveries	6,964	11,161
Recoveries (Note 10)	—	28,694
Net income before provision for deferred income taxes	6,964	39,855
Provision for deferred income taxes	—	19,800
Net income for the year	<u>\$ 6,964</u>	<u>20,055</u>
Retained earnings at beginning of year	—	11,749
Retained earnings at end of year	<u>\$31,804</u>	<u>\$11,749</u>

496072 ALBERTA LTD. AND NFI FINANCE, INC.
 COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 1994
 (thousands of dollars)

	1994	1993
Operating activities:		
Net income for the year	\$ 20,055	\$ 6,093
Write down of property held for sale	447	7,276
Deferred income taxes	19,800	—
Other non-cash items	3,052	7
	<u>43,354</u>	<u>13,376</u>
Investing activities:		
Notes receivable advances	(3,843)	(33,191)
Collection of notes receivable	136,482	59,529
Proceeds from disposal of property held for sale	3,880	3,675
	<u>136,519</u>	<u>30,013</u>
Financing activities:		
Decrease in bank indebtedness	(175,595)	(32,809)
Reduction of agreement payable	(1,800)	(3,600)
Decrease in Due to 475342 Alberta Ltd.	—	(9,329)
	<u>(177,395)</u>	<u>(45,738)</u>
Decrease (increase) in bank overdrafts for the year	2,478	(2,349)
Bank overdrafts at beginning of year (Note 5)	(3,165)	(816)
Bank overdrafts at end of year (Note 5)	<u>\$ (687)</u>	<u>\$ (3,165)</u>

496072 ALBERTA LTD. AND NFI FINANCE, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 1994

Note 1 Authority

496072 Alberta Ltd. was incorporated under the Business Corporations Act, Chapter B-15, Statutes of Alberta 1981. NFI Finance, Inc. was incorporated under the laws of the State of Delaware, United States of America. The companies are ultimately wholly owned by the Province of Alberta through the Alberta Government Telephones Commission (the Commission) and accordingly operations in Canada are exempt from Canadian income taxes. Companies incorporated in foreign jurisdictions are subject to domestic income taxes.

Note 2 Nature of Operations

By sale agreements effective May 29, 1992, NovAtel Communications Ltd. (NovAtel), a wholly owned subsidiary of the Commission, was reorganized and sold. As part of the reorganization, 496072 Alberta Ltd., a wholly owned subsidiary of the Commission, acquired certain assets from NovAtel. Also as part of the reorganization, NFI Finance, Inc., a wholly owned subsidiary of the Commission, acquired all the outstanding shares of NovAtel Finance, Inc., System Finance Inc. and Cellular Finance Inc. from NovAtel. The purpose of this reorganization was to facilitate the management and orderly disposition of the assets (see Note 9).

Note 3 Summary of Significant Accounting Policies

These combined financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies are as follows:

(a) Basis of financial statement presentation

These combined financial statements include the accounts of 496072 Alberta Ltd. and the consolidated accounts of NFI Finance, Inc., including its subsidiaries NovAtel Finance, Inc., System Finance Inc. and Cellular Finance Inc. Combined financial statements for these companies are provided to account for their activities while under the management of North West Trust Company. Effective December 31, 1994, North West Trust Company was amalgamated with Canadian Western Bank and is currently operating as Canadian Western Bank.

(b) Notes receivable

Notes receivable are stated at cost, which includes principal amounts outstanding, less provisions for losses on notes. Interest on notes is recognized as income on the accrual basis unless the notes have been classified as non-performing.

All notes which have reached 90 days in arrears, or which contractually do not require payments for a period exceeding 90 days, or for which, in management's judgement, reasonable doubt exists as to the ultimate collectibility of principal or interest, are classified as non-performing and all unpaid interest income is reversed. Thereafter revenue is taken into income only as collected. Non-performing notes are stated at the lower of cost and estimated net realizable value.

Individual non-performing notes are reviewed regularly and if, in management's judgement, full recovery of principal is not expected, a specific provision for estimated losses is recorded. In addition, based on management's judgement, a general provision for loss is recorded to recognize unforeseeable losses in the note portfolio.

(c) Deferred income taxes

Deferred income taxes are provided for all significant timing differences between the recognition of income and expenses for financial statement and income tax purposes.

(d) Property held for sale

Property held for sale, which consists of land and commercial properties, is stated at the lower of cost and estimated net realizable value.

(e) Foreign currency translation

With the exception of the Company's self-sustained foreign operations, the assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the balance sheet date. Income and expenses are translated using average rates of exchange prevailing at the time the transactions take place. Unrealized foreign exchange gains or losses are deferred and amortized to income over the lives of the assets and liabilities to which they relate.

Commencing January 1, 1993, the foreign operations have been accounted for as self-sustaining operations. The assets, except for positions that are hedged, and liabilities are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Assets for which the companies have hedged their position are translated at rates established by the hedge. All income and expenses are translated at average exchange rates prevailing during the year. Foreign currency translation adjustments are deferred and included in a separate component of the shareholder's equity described as "Foreign Exchange Currency Adjustments."

Note 4 Notes Receivable

	1994		1993	
	US \$	CDN \$	US \$	CDN \$
	(thousands of dollars)			
Performing	\$ 79,534	\$ 111,571	\$ 118,682	\$ 157,135
Start-up	—	—	1,626	2,153
Non-performing	19,176	26,900	106,950	141,602
	98,710	138,471	227,258	300,890
Provision for losses on notes	(37,269)	(52,281)	(61,980)	(82,061)
	<u>\$ 61,441</u>	<u>\$ 86,190</u>	<u>\$ 165,278</u>	<u>\$ 218,829</u>

Notes receivable represent amounts loaned under Loan and Security Agreements with companies holding cellular system licences in the United States to finance the acquisition of cellular system equipment, to finance expansion of operations and to meet working capital requirements.

The notes bear interest primarily at US prime plus 2%, are repayable in US \$ commencing in the third year of their seven year term, and are secured by first charges on the license holders' equipment and all other assets including, to the extent permitted by law, the licence, and a pledge of their capital stock or partnership interests.

Note 5 Bank Indebtedness

	1994		1993	
	US \$	CDN \$	US \$	CDN \$
	(thousands of dollars)			
Bank overdrafts, at US \$ prime minus .25%	\$ 490	\$ 687	\$ 2,391	\$ 3,165
Bankers acceptances, at 7.005% due February 23, 1995		2,268		14,080
LIBOR loans, at 4.05% due January 31, 1995	50,000	70,140	147,100	194,760
		73,095		212,005
Less:				
Deposit in CCITF		39,163		—
		<u>\$ 33,932</u>		<u>\$ 212,005</u>

All bank indebtedness is governed by the terms of a demand credit facility and is guaranteed by the Province of Alberta to a maximum of US \$185,000,000 and CDN \$20,000,000. The bankers acceptances and LIBOR loans were renewed subsequent to their contractual maturity dates. In management's opinion, further financing in addition to the Provincial guarantee will not be required.

NFI Finance, Inc. loaned US \$28,313,000 to 496072 Alberta Ltd. These funds were deposited in the Consolidated Cash Investment Trust Fund and will be used to partially retire the LIBOR loan due January 31, 1995.

Note 6 Capital Stock

	<u>1994</u>	<u>1993</u>
496072 Alberta Ltd.		
Authorized - unlimited number of common shares		
Issued - 100 common shares	\$1	\$1
NFI Finance, Inc.		
Authorized - 1,000 common shares of no par value		
Issued - 100 common shares	<u>1</u>	<u>1</u>
	<u>\$2</u>	<u>\$2</u>

Note 7 Foreign Currency Translation Adjustments

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Balance at beginning of year	\$ 269	\$ —
Translation adjustments for the year arising from change in foreign exchange rates	<u>995</u>	<u>269</u>
Balance at end of year	<u>\$1,264</u>	<u>\$ 269</u>

Note 8 Earn-out

496072 Alberta Ltd. is eligible to receive, under certain conditions, amounts pursuant to the "earn-out" provisions of a 1992 agreement and a 1994 amending agreement. The total "earn-out" amount is the sum of \$12,603,920 of which \$603,920 was paid in February, 1993 and \$6,000,000 was paid in April 1994. The remaining \$6,000,000 is payable in annual instalments due on April 1, 1996 to 1998, based on the payor's net income. Any unpaid balance is payable on April 1, 1999. The collectibility of the "earn-out" is uncertain as it is based on a number of contingent events and the payor's ability to pay. Accordingly, the Company recognizes such revenue as income when received.

Note 9 Related Party Transactions

Under a 1992 agreement, the companies and the Province of Alberta engaged North West Trust Company (Note 3(a)), a company principally owned by the Province of Alberta, to manage the assets of the companies and conduct an orderly realization of their assets. The management agreement is scheduled to terminate on May 31, 1995, although the agreement provides for earlier termination under certain conditions. During the year, the companies paid management fees of \$4,765,000 (1993 \$5,828,000).

Note 10 Recoveries

	<u>1994</u>	<u>1993</u>
	(thousands of dollars)	
Recovery of provision for losses on notes	\$24,575	\$11,011
Recovery of interest income on notes	4,566	—
Write down of property held for sale	<u>(447)</u>	<u>(7,276)</u>
	<u>\$28,694</u>	<u>\$ 3,735</u>

Note 11 Budget

The 1994 budget was approved by the Province of Alberta in March, 1994.

Note 12 Comparative Figures

The 1993 figures have been reclassified where necessary to conform to 1994 presentation.

Note 13 Salaries and Benefits

The companies did not pay any salaries or benefits to their officers and sole director in 1994 and 1993.

Note 14 Approval of Financial Statements

These financial statements were approved by the Commission.

SECTION 3

1994-95 PUBLIC ACCOUNTS

CROWN-CONTROLLED CORPORATIONS - FINANCIAL STATEMENTS

Contents:	Page
Introduction	290
Economic Development and Tourism:	
Chembiomed Ltd.	291
Treasury:	
Gainers Inc.	296

CROWN-CONTROLLED CORPORATIONS - FINANCIAL STATEMENTS

Introduction:

The enterprises included in this section are more than 50% owned or controlled by the Government and operate on the basis of full cost supported by charges for goods or services.

The basis of accounting used by Crown-controlled corporations is significantly different from that used for the General Revenue Fund. Adjusting financial statements of Crown-controlled corporations to this different basis would result in the write-off of significant revenue earning assets. Crown-controlled corporations are included in the consolidated financial statements on an equity basis whereby the Government's investment is adjusted for unre-mitted earnings and to reflect its share of capital transactions including loans to or from the corporation.

CHEMBIOMED LTD.
FINANCIAL STATEMENTS
MARCH 31, 1995

Auditor's Report
Balance Sheet
Statement of Operations and Deficit
Statement of Changes in Financial Position
Notes to the Financial Statements

AUDITOR'S REPORT

To the Shareholders of Chembiomed Ltd.

I have audited the balance sheet of Chembiomed Ltd. as at March 31, 1995 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

Peter Valentine, FCA
Auditor General

Edmonton, Alberta
May 29, 1995

CHEMBIOMED LTD.
BALANCE SHEET
MARCH 31, 1995
(see Note 1)

	1995	1994
ASSETS		
Current assets:		
Cash and short-term investments	\$ 154,365	\$ 1,176,392
Accounts receivable	102,140	23,928
	<u>256,505</u>	<u>1,200,320</u>
Computer equipment (Note 4)	2,049	2,714
Patents (Note 5)	1	1
Land and building (Note 6)	—	5,800,000
	<u>\$ 258,555</u>	<u>\$ 7,003,035</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accrued interest payable	\$ —	\$ 619,252
Accounts payable and accrued liabilities	14,058	13,898
Due to a shareholder (Note 7)	15,874,759	7,000,000
Accrued interest and royalty payable to a shareholder (Note 8)	2,359,393	1,157,319
	<u>18,248,210</u>	<u>8,790,469</u>
Long-term debt (Note 9)	—	12,500,000
	<u>18,248,210</u>	<u>21,290,469</u>
Shareholders' deficiency		
Share capital (Note 10)	40,928,430	40,928,430
Deficit	(58,918,085)	(55,215,864)
	<u>(17,989,655)</u>	<u>(14,287,434)</u>
	<u>\$ 258,555</u>	<u>\$ 7,003,035</u>

The accompanying notes are part
of these financial statements.

CHEMBIOMED LTD.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
Revenue:		
Rental income	\$ 274,731	\$ 350,000
Sales	77,000	12,387
Interest income	20,171	54,409
Royalty income	13,452	38,197
	<u>385,354</u>	<u>454,993</u>
Expenses:		
Interest on amount due to shareholder (Note 8)	1,198,802	444,227
Interest on long-term debt (Note 9)	724,759	1,236,250
Operating	6,648	28,142
Amortization	1,094	543
Cost of sales	—	2,447
	<u>1,931,303</u>	<u>1,711,609</u>
Loss from operations	1,545,949	1,256,616
Loss on sale of land and building	2,150,000	—
Royalty payable to a shareholder (Note 8)	3,272	2,500
Loss before taxes	3,699,221	1,259,116
Tax on large corporations	3,000	2,682
Loss for the year	3,702,221	1,261,798
Deficit at beginning of year	55,215,864	53,954,066
Deficit at end of year	<u>\$58,918,085</u>	<u>\$55,215,864</u>

CHEMBIOMED LTD.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	<u>1995</u>	<u>1994</u>
Operating activities:		
Loss for the year	\$ (3,702,221)	\$ (1,261,798)
Add: Charges to operations not requiring cash		
Amortization	1,094	543
Loss on sale of land and building	2,150,000	—
	<u>(1,551,127)</u>	<u>(1,261,255)</u>
Decrease (increase) in accounts receivable	(78,212)	72,213
Increase in current liabilities	9,457,741	374,359
Cash provided from (used in) operating activities	<u>7,828,402</u>	<u>(814,683)</u>
Investing activities:		
Purchase of computer equipment	(429)	(3,257)
Proceeds from disposal of land and building	3,650,000	—
Cash provided from (used in) investment activities	<u>3,649,571</u>	<u>(3,257)</u>
Financing activities:		
Redemption of long-term debt	(12,500,000)	—
Cash used in financing activities	<u>(12,500,000)</u>	<u>—</u>
Decrease in cash and short-term investments for the year	(1,022,027)	(817,940)
Cash and short-term investments at beginning of year	1,176,392	1,994,332
Cash and short-term investments at end of year	<u>\$ 154,365</u>	<u>\$ 1,176,392</u>

CHEMBIOMED LTD.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

Note 1 Discontinuance of Operations

Chembimed Ltd. is a Company incorporated under the Canada Business Corporations Act that was active in biotechnology and engaged in research, development and commercialization of human diagnostic and therapeutic health care products. The Company is controlled by the Province of Alberta and The University of Alberta.

The Company's operations were dependent on continued support from its shareholders. In November 1991, however, the shareholders announced that additional operating funds would not be provided and the Company was therefore unable to continue research operations. The research programs and certain research equipment were transferred to the Alberta Research Council. The Company sold the remainder of its equipment, leased the land and building and licenced the patents.

The Company is no longer a going concern but has continued to sell its residual inventory and dispose of other assets and liabilities during 1994-95.

Note 2 Significant Accounting Policies

Basis of accounting

Since the Company is no longer a going concern, assets have been written down to estimated realizable value, and provisions have been recorded for all anticipated losses.

Revenue

Sales includes revenue from all commercial products sold during the year.

Inventories

Inventories of finished goods at March 31, 1994 and 1995 were recorded as having no value.

Amortization

Amortization was provided over the estimated useful life of the computer equipment at 30% on a straight-line basis.

Note 3 Income Taxes

The Company has non-capital losses carried forward of approximately \$11,000,000 which expire over the period to the year 2002, and current and capital scientific expenditures totalling approximately \$32,000,000 which may be carried forward indefinitely and deducted against any future taxable income.

Future benefit, if any, pertaining to the non-capital losses carried forward and the scientific expenditures have not been recognized in these financial statements.

Note 4 Computer Equipment

	1995	1994
Computer equipment	\$ 3,686	\$ 3,257
Less: Accumulated amortization	<u>(1,637)</u>	<u>(543)</u>
	<u>\$ 2,049</u>	<u>\$ 2,714</u>

Note 5 Patents

The Company holds a number of international patents.

Under the provisions of a technology transfer agreement, the Alberta Research Council can use or sub-licence the Company's patents, intellectual property, proprietary information, bioactive carbohydrate research program and all other technology. The Alberta Research Council is not permitted to use any of the transferred items directly in commercial production, but may do so by way of sub-licences. Under such sub-licencing arrangements, the Company is entitled to receive royalties, after deducting certain costs of the Alberta Research Council, equal to the proportionate contribution to the commercial production of the value of the items transferred.

The Alberta Research Council has the right, but not the obligation, to maintain and protect any of the transferred patents. The Company may maintain and protect any such patents that the Alberta Research Council abandons.

As the realizable value of the patents cannot be reasonably ascertained, they have been written down to a nominal carrying value of \$1.

Note 6 Land and Building

Effective April 1, 1992, the Company leased its land and building for a period of ten years for an annual rental of \$350,000. The lease provided that at any time during the term of the lease, the lessee had an option to purchase the land and building for an amount of \$5,800,000. Accordingly, the land and building were written down to \$5,800,000.

On January 13, 1995, the land and building were sold to the Province of Alberta for \$3,650,000, based upon an independent appraisal.

Note 7 Due to a Shareholder

During 1992, the Province of Alberta provided funding for the Company in the amount of \$7,000,000 which is secured by promissory notes. The notes bear interest at bank prime rate, calculated and payable semi-annually. Payment on the notes was demanded on September 30, 1994.

In October 1994, the Province of Alberta provided funding to the Company in the amount of \$13,224,759 to pay down the long-term debt and accrued interest. The amount due was subsequently reduced by the proceeds from the sale of the land and building of \$3,650,000 and a payment of \$700,000. The remaining amount due of \$8,874,759 bears interest at 9.89% per year. Payment on the amount due was demanded on November 8, 1994.

Note 8 Royalty Agreement with a Shareholder

A Royalty Agreement with the Province of Alberta requires the Company to pay the Province a royalty of 3.5% of gross sales commencing April 1, 1991 and increasing by 0.25% of gross sales each April 1 thereafter until such time as the Province no longer holds any preferred shares. The first royalty payment was due June 29, 1992. Although the Company has discontinued operations, it has continued to sell residual inventory since April 1, 1991. Accordingly, a liability of \$68,772 (1994 \$65,500) for royalty payable is reported at March 31, 1995.

Under the terms of the agreement, the Company shall not, at any time while it remains liable to pay any royalty to the Province, allot or issue any shares in its capital stock, declare or pay dividends on its common shares or amend or vary its Business Plan, except as required by the agreement or with the written consent of the Province.

In the event that the Company breaches or is in default of any of its obligations to the Province, the Province can require the Company to purchase any number of the preferred shares held by the Province at the price of \$10 per share.

Note 9 Long-term Debt

Long-term debt consisted of debentures that were guaranteed by the Province of Alberta which held a mortgage on the land and building.

Note 10 Share Capital

	<u>1995</u>	<u>1994</u>
Authorized		
4,275,000 non-participating non-voting preferred shares, with a stated value of \$10 per share, redeemable at \$10 per share plus declared unpaid dividends		
Unlimited number of common shares		
Issued		
3,065,909 preferred shares	\$30,577,586	\$30,577,586
1,126,924 common shares	<u>10,350,844</u>	<u>10,350,844</u>
	<u>\$40,928,430</u>	<u>\$40,928,430</u>

Note 11 Related Party Transactions

Interest charged by the Province of Alberta amounted to \$1,198,802 (1994 \$444,227). Royalty payable to the Province of Alberta amounted to \$3,272 (1994 \$2,500). The land and building were sold to the Province of Alberta for \$3,650,000.

Note 12 Budget and Salary Disclosure

As the Company has ceased research operations, no budget or salary information is provided.

Note 13 Subsequent Event

On April 28, 1995, the Company entered into a letter of intent whereby the Company may merge or be acquired by a private sector research company.

Note 14 Approval of Financial Statements

These financial statements were approved by the Board of Directors.

GAINERS INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 24, 1994

Auditors' Report
Consolidated Balance Sheet
Consolidated Statement of Operations and Deficit
Consolidated Statement of Changes in Financial Position
Notes to Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholder of
Gainers Inc.

We have audited the consolidated balance sheet of Gainers Inc. as at September 24, 1994 and the consolidated statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 24, 1994 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

Price Waterhouse
Chartered Accountants

Edmonton, Alberta
February 28, 1995

GAINERS INC.
CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

	September 24 1994	September 25 1993
ASSETS		
Accounts receivable	\$ 2,119	\$ 22,661
Inventories (Note 2)	—	18,747
Prepaid insurance	318	577
Fixed assets (Note 4)	308	19,514
Equipment under capital leases (Note 5)	—	2,615
Other assets (Note 6)	488	1,546
	<u>\$ 3,233</u>	<u>\$ 65,660</u>
LIABILITIES, CAPITAL AND DEFICIT		
Bank indebtedness (Note 7)	\$ 57	\$ 24,169
Accounts payable and accrued liabilities	970	15,806
Principal and interest on prior years' income taxes	4,460	3,800
Long-term debt (Note 8)	200,800	164,997
Obligation under capital leases	—	1,013
Provision for subsequent losses on disposal of assets	—	38,099
Provision for subsequent operating losses	—	7,210
Provision for subsequent other financial costs	—	11,352
Deferred taxes, subsidiary	—	1,091
	<u>206,287</u>	<u>267,537</u>
Capital and deficit		
Share capital (Note 9)	1	1
Contributed surplus	15,002	15,002
Deficit	(218,057)	(216,880)
	<u>(203,054)</u>	<u>(201,877)</u>
	<u>\$ 3,233</u>	<u>\$ 65,660</u>
Contingencies (Note 11)		

Approved by the Board D. Harrington, Director

GAINERS INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(in thousands of dollars)

	Year ended	
	September 24 1994	September 25 1993
Net sales	\$ 98,127	\$ 420,963
Costs and expenses		
Cost of goods sold	90,942	368,744
Selling and distribution	10,876	45,765
General and administrative	2,353	11,848
Depreciation and amortization	902	3,443
Short-term interest	546	2,130
Long-term interest	61	550
	<u>105,680</u>	<u>432,480</u>
Loss from operations	(7,553)	(11,517)
Other costs		
Province of Alberta		
Interest	3,528	8,001
Default expenses and guarantee fees, including cost of settlement of promissory note - \$6,475 (Note 8)	7,012	1,356
Interest and letter of credit fees on promissory note	1,405	5,365
Interest on income tax reassessment	660	320
Restructuring and reorganization expenses	—	390
Foreign exchange loss	—	1,008
Write-off of investment in and advances to former affiliates	—	12,236
Write-down of fixed assets	—	17,412
Losses on disposal (Note 1)	37,727	—
Provision (reversal) for subsequent losses		
Disposal of assets	(38,099)	38,099
Operations	(7,210)	7,210
Other financial costs	(11,352)	11,352
Recovery from legal actions	(763)	—
Costs incurred in termination and disposal of business	716	—
Other	—	287
	<u>(6,376)</u>	<u>103,036</u>
Loss for the year	(1,177)	(114,553)
Deficit, beginning of year	(216,880)	(102,327)
Deficit, end of year	<u><u>\$(218,057)</u></u>	<u><u>\$(216,880)</u></u>

GAINERS INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Year ended	
	September 24 1994	September 25 1993
Operating activities		
Loss for the year	\$ (1,177)	\$(114,553)
Items not requiring cash		
Depreciation and amortization	910	3,443
Foreign exchange loss	—	1,008
Write-off of investment in and advances to former affiliates	—	12,236
Write-down of fixed assets	—	17,412
Losses on disposal	37,727	—
Provision (reversal) for subsequent losses		
Disposal of assets	(38,099)	38,099
Operations	(7,210)	7,210
Other financial costs	(11,352)	11,352
Other	(22)	75
	<u>(19,223)</u>	<u>(23,718)</u>
Net change in non-cash operating balances (Note 12)	<u>861</u>	<u>4,658</u>
	<u>(18,362)</u>	<u>(19,060)</u>
Financing activities		
Payment of long-term debt	(140)	(570)
Assumption of long-term debt by third parties	(7,473)	—
Reduction of promissory note	—	(2,000)
Reduction of obligation under capital leases	(1,015)	(752)
Increase in long-term debt	43,416	16,581
Increase in obligation under capital leases	—	95
Contribution from shareholder	—	9,247
	<u>34,788</u>	<u>22,601</u>
Investment activities		
Purchase of fixed assets	(590)	(1,663)
Acquisition of assets under capital leases	—	(81)
Proceeds on disposal of assets	21,276	326
Advance to facilitate sale	(13,000)	—
	<u>7,686</u>	<u>(1,418)</u>
Increase in cash for the year	<u>24,112</u>	<u>2,123</u>
Bank indebtedness, beginning of year	<u>(24,169)</u>	<u>(26,292)</u>
Bank indebtedness, end of year	<u>\$ (57)</u>	<u>\$ (24,169)</u>

GAINERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 24, 1994
(tabular amounts in thousands of dollars)

Note 1 Basis of presentation

The consolidated financial statements of the Company include the accounts of Gainers Inc.; its wholly-owned subsidiary companies: Kretschmar Inc. and Gainers Properties Inc. ("GPI"); and its inactive subsidiaries: Sodor Foods Inc. ("Sodor") and MPF Note Inc. (collectively the "Company").

Through September 25, 1993, the Company operated on a going-concern basis which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business.

Dispositions since September 25, 1993 are as follows:

	Kretschmar Inc.	Magic Pantry Foods division	Gainers Inc. & GPI	Total
Book or realizable value at disposition				
Accounts receivable	\$ 2,726	\$ —	\$14,552	\$17,278
Advance to facilitate sale	—	—	13,000	13,000
Inventories	2,492	100	11,604	14,196
Prepaid expenses and deposits	82	—	633	715
Fixed assets and capital leases	11,313	1,500	9,000	21,813
Other assets	174	—	734	908
	<u>16,787</u>	<u>1,600</u>	<u>49,523</u>	<u>67,910</u>
Deduct liabilities assumed on purchase of shares	8,929	—	—	8,929
	<u>7,858</u>	<u>1,600</u>	<u>49,523</u>	<u>58,981</u>
Proceeds on disposal	1,525	1,600	18,129	21,254
Losses on disposal	<u>\$ 6,333</u>	<u>\$ —</u>	<u>\$31,394</u>	<u>\$37,727</u>

On January 27, 1994, Gainers Inc. sold the shares, various guarantees and intercompany debt of Kretschmar Inc. for cash of \$1,525,000. Since Gainers Inc. funded \$374,000 of the ongoing operating losses through the intercompany account and was actively trying to dispose of this investment after September 25, 1993, the operating results of Kretschmar Inc. have not been included line-by-line in the consolidated statement of operations.

In December 1993, the Magic Pantry Foods division of Gainers Inc. was shut down. On January 25, 1994, certain assets were sold for cash of \$1,600,000, including a parcel of land which sold for \$800,000.

Effective January 15, 1994, certain manufacturing and distribution assets of Gainers Inc. and GPI were sold for \$18,129,000 to Pride of Alberta Limited Meat Processors Company (a limited partnership) ("the Purchaser"), which purchase price was paid on January 26, 1994 by way of cash of \$8,539,000 and assumed liabilities of \$9,590,000, which included \$2,684,000 of long-term debt and obligations under capital leases. On January 26, 1994, Burns Foods (1985) Limited became the general partner of the Purchaser.

As an inducement to facilitate the sale and restructuring of the Gainers Inc. meat processing business, Gainers Inc. advanced \$13,000,000 to the Purchaser which was subsequently forgiven. Gainers Inc. borrowed \$13,000,000 to finance the advance, and this amount is now owing to the Province of Alberta.

In addition, the Purchaser has leased the Edmonton land and buildings for two years and will be paying all operating costs.

Note 2 Inventories

	September 24 1994	September 25 1993
Raw materials and supplies	\$ —	\$ 5,543
Work-in-progress and finished goods	—	13,204
	<u>\$ —</u>	<u>\$18,747</u>

Note 3 Investments in and amounts due from former affiliates

	September 24 1994	September 25 1993
Pocklington Corp. Inc. - investment, at cost	\$ —	\$ 9,261
Pocklington Financial Corporation (formerly Pocklington Holdings Inc.) - advances	—	2,975
	—	12,236
Deduct write-off in carrying value	—	12,236
	<u>\$ —</u>	<u>\$ —</u>

The investment is comprised of 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, U.S. \$100 per share and which carry annual non-cumulative dividends of U.S. \$11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Peter Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counterclaimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit.

Advances to the former affiliate are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation (formerly Pocklington Holdings Inc.) to recover the advances.

In 1993, Gainers Inc. wrote off the carrying value of these investments and advances. Final determination of the realizable value is subject to the outcome of the various actions. If the outcome of these actions is favourable to Gainers Inc., there is substantial uncertainty as to whether judgement amounts can be collected.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. ("350151") for \$100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for \$100 cash. Gainers Inc. is attempting to have the sale reversed (see Note 11(a)). The accounts of 350151 are not included in these accounts.

Note 4 Fixed assets

	Depreciation and amortization rates	Net book value	
		September 24 1994	September 25 1993
Land		\$ 148	\$ 2,488
Buildings	5% to 6.7%	160	9,413
Leasehold improvements	Term of lease	—	752
Equipment, furniture and fixtures	6.7% to 12.5%	—	24,084
Automotive	6.7% to 25%	—	145
		308	36,882
Construction in progress		—	44
		308	36,926
Deduct: Write-down in carrying value of assets		—	17,412
		<u>\$ 308</u>	<u>\$19,514</u>

The write-down was directed by management based on appraisals carried out in the summer of 1993 and the view that there was a permanent impairment of the value of these assets, the exact amount of which was confirmed when the assets were subsequently sold.

Depreciation and amortization of the fixed assets provided in the current year totalled \$860,000 (1993 - \$3,049,000).

Note 5 Equipment under capital leases

	Depreciation rates	Net book value	
		September 24 1994	September 25 1993
Equipment, furniture and fixtures	6.7%	\$ —	\$2,150
Computer software	20%	—	421
Automotive	25%	—	44
		<u>\$ —</u>	<u>\$2,615</u>

Depreciation of the equipment under capital leases provided in the current year totalled \$50,000 (1993 - \$333,000).

Note 6 Other assets

	September 24 1994	September 25 1993
Deferred financing fees	\$ —	\$1,045
Deferred acquisition cost	—	237
Trademarks, Swift and related	—	965
	—	2,247
Less: Accumulated amortization	—	1,215
	—	1,032
Pension	488	488
Bonds	—	26
	<u>\$ 488</u>	<u>\$1,546</u>

The defined benefit plans of the Company were not assumed by the various purchasers in 1994. Arrangements are being made to terminate the existing plans with accrued benefits being transferred to annuities for the employees. Preliminary actuarial estimates indicate a pension surplus which will be refunded to the Company, subject to adjustments arising from regulatory approvals and the cost to purchase annuities for the former employees.

Note 7 Bank indebtedness

The bank indebtedness, immediately after the sale of assets (Note 1), was \$17,183,000. This was subsequently acquired by Alberta pursuant to a guarantee and indemnity.

Bank indebtedness outstanding at September 24, 1994 represents unrepresented cheques.

Note 8 Long-term debt

	September 24 1994	September 25 1993
Province of Alberta		
Term loan, originally payable by semi-annual instalments commencing April 1, 1991 of \$964,650 principal and interest; interest at 9.6%	\$ 6,000	\$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (U.S. \$8,749,339), interest at prime plus 1-1/2%	11,567	11,567
Operating loan, interest at prime plus 1-1/2%	25,979	25,979
Advances under guarantee for principal and interest payments	31,947	28,504
Promissory note, interest at prime plus 3%	49,000	—
Advance to facilitate sale	13,000	—
Advances under guarantee and indemnity for operating line	18,469	—
Default costs and guarantee fees, interest at prime plus 3%	10,347	3,252
Accrued interest	34,491	33,182
	<u>200,800</u>	<u>108,484</u>
Other lenders		
Promissory note, originally repayable in annual principal instalments of \$2,000,000 on May 1, 1993, \$3,000,000 from May 1, 1994 to 1997, and \$37,000,000 on May 1, 1998; interest at 10.38% per annum and payable semi-annually	—	49,000
Loans from Saskatchewan Economic Development Corporation (SEDCO)		
Loan A - repayable by monthly instalments of \$11,819 plus interest, until December 2006 when the balance becomes due; interest at SEDCO's borrowing rate	—	2,123
Loan B - repayable through incentives to be received by Gainers Inc.; the balance repayable by monthly instalments of \$2,146 plus interest commencing April 1993; interest at SEDCO's borrowing rate	—	371
Mortgage, Kretschmar Inc., payable monthly, \$23,500 principal until June 15, 1992, thereafter \$34,500 monthly. Interest at prime plus 3/4%, payable monthly; matures June 15, 1995	—	5,019
	<u>\$200,800</u>	<u>\$164,997</u>

Province of Alberta

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta which provided for a term loan facility and a loan guarantee. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares which, previous to this, were controlled by Mr. Peter Pocklington.

As at October 6, 1989, operating loans of \$25,979,000 and a term loan of U.S. \$8,749,000 were transferred and assigned to the nominee. In addition, Alberta has made payments since October 6, 1989 of \$87,422,000 under the guarantee to cover principal and interest payments due, including the purchase in December 1993 of the balance due under the promissory note.

Interest

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994 Alberta declared all indebtedness owing by the Company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

Security

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, a pledge of inventory, and fixed and floating charge debentures amounting to \$70,000,000 covering substantially all of the assets of the Company. The Company continues to be in default and in breach of certain covenants of this indebtedness.

Master Agreement

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of \$12,000,000. As at September 30, 1989, \$6,000,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, gained control of the Company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan are due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to Alberta in respect to the promissory note, is collaterally secured by a demand debenture made by GPI to the nominee in the principal sum of \$67,000,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

Note 9 Share capital

	September 24 1994	September 25 1993
Authorized		
Unlimited number of Class A common shares		
Unlimited number of Class B preferred shares		
redeemable/retractable at \$1 per share with non-cumulative		
annual dividends at a rate not exceeding 16% of the		
redemption value		
12,000,000 of Class C preferred shares redeemable at \$1 per		
share with cumulative annual dividend compounded		
semi-annually at 9.6% of the redemption price		
Issued		
101 Class A common shares	\$ 1	\$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
	6,000	6,000
Less: 6,000,000 Class C preferred shares held by GPI	\$ 1	\$ 1
	<u>\$ 1</u>	<u>\$ 1</u>

Note 10 Income taxes

The Company has non-capital income tax losses available for carryforward to reduce taxable income of future years. Revenue Canada Taxation ("RCT") has issued reassessments and proposed adjustments that could result in reductions to the losses available for carryforward. The Company has either objected to the reassessments or has made representations to RCT in respect of the proposed adjustments for the 1985 to 1991 taxation years. Due to the ongoing tax assessments by RCT and the discontinuance by the Company of all of its ongoing business, utilization of the remaining losses available for carryforward is unlikely.

This outstanding amount is in respect of the reassessments made by RCT. If the Company is successful, in whole or in part, in its objections to those reassessments, then the amount owing will decrease or could result in a refund. Pending resolution of this dispute, interest continues to accrue on a daily basis.

Note 11 Contingencies

- (a) Management believes that certain amounts which have been expensed in current and prior years may be recoverable from companies controlled by Mr. Peter Pocklington. An action to recover these amounts has been commenced. Ultimate recovery of the amount previously expensed in the accounts cannot be determined at this time. Accordingly, no potential recovery has been recorded. Any subsequent recovery of amounts expensed will be accounted for as a prior period adjustment.

The Company and Alberta have filed claims against Mr. Peter Pocklington, companies controlled by him, and the Company's former banker for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately \$38,000,000 plus interest. Ultimate recovery of this claim cannot be determined at this time.

Pocklington Holdings Inc. has filed a claim of \$15,000,000 for damages against Gainers Inc. in the event that the shares of 350151 are obligated to be returned to Gainers Inc. as a result of an action taken by Alberta against Pocklington Financial Corp. (Note 3). The potential loss, if any, is not determinable and, accordingly, no provision has been recorded with respect to this claim.

- (b) Gainers Inc. is defending an action by Mr. Peter Pocklington, Edmonton Oilers Hockey Corp., Palm Dairies Limited, and 350151 concerning a financial guarantee bond and indemnity amounting to \$1,500,000. The potential loss, if any, is not determinable and, accordingly, no provision has been recorded with respect to this claim.
- (c) Under the terms of the Master Agreement, the Company and Mr. Peter Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by GPI or by any other member of the group or Mr. Pocklington. As a result, since the date of default the Company has provided \$8,568,000 in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default.

- (d) During 1991, an employee filed a claim for damages for constructive dismissal in the amount of \$520,000 and damages for breach of contract in the amount of \$2,000,000, plus interest and costs against Gainers Inc. The Plaintiff offered to settle for \$950,000. Gainers Inc. has filed a statement of defence and, in the opinion of management, any settlement should be substantially less than the claim. Gainers Inc. has also brought a Third Party Claim as against Mr. Peter Pocklington for any damages payable to the employee. An appropriate amount has been provided for in the accounts.
- (e) Gainers Inc. and others are defendants in an action brought in the State of California by a number of California Jack-In-The-Box franchisees. The franchisees seek damages for economic loss arising from the adverse publicity surrounding an outbreak of E-Coli poisoning at a number of Jack-In-The-Box restaurants in the State of Washington. The insurers of Gainers Inc. have defended the claims by the California franchisees until recently, but have now taken the position that the insurance coverage of Gainers Inc. does not extend to claims for economic loss such as the claims of the California franchisees. Gainers Inc. and its lawyers are reviewing whether the insurers are justified in denying coverage for these claims. It is premature to assess the liability, if any, which Gainers Inc. may have to the California franchisees or to determine whether the insurers of Gainers Inc. are justified in denying coverage of the claims of the California franchisees.

Note 12 Other

Statement of changes in financial position

Details of the changes in non-cash operating balances for the period are as follows:

	September 24 1994	September 25 1993	Increase (decrease)
Accounts receivable, including other	\$ 2,607	\$ 22,661	\$(20,054)
Inventories	—	18,747	(18,747)
Prepaid expenses	318	577	(259)
Accounts payable and accrued liabilities	(970)	(15,806)	14,836
Principal and interest on prior years' income taxes	(4,460)	(3,800)	(660)
	<u>\$ (2,505)</u>	<u>\$ 22,379</u>	<u>(24,884)</u>
Deduct non-cash items assumed by purchasers			<u>24,023</u>
Net change			<u>\$ (861)</u>

SCHEDULE - SALARIES AND BENEFITS
(tabular amounts in thousands of dollars)
(unaudited)

As the Company is controlled by Alberta, the following information is presented pursuant to the Financial Administration Act, Alberta:

	September 24 1994		September 25 1993	
	Numbers	Salaries and benefits	Numbers	Salaries and benefits
Gainers Inc.				
Vice-President Corporate Affairs	1	\$ 48	1	\$ 147
Vice-President Finance	1	40	1	130
Vice-President Operations	1	37	1	121
Executive Vice-President Kretschmar	1	40	1	131
Other managers	8	170	8	706
	<u>12</u>	<u>\$335</u>	<u>12</u>	<u>\$1,235</u>

In January 1994, the company discontinued all ongoing business and the employment contracts of all employees and executives were assumed by Pride of Alberta Meat Processors Company.

1994-95

PUBLIC ACCOUNTS

ALPHABETICAL INDEX OF AGENCIES

ALPHABETICAL INDEX OF AGENCIES

	Page
Agriculture Financial Services Corporation	4
Alberta Agricultural Research Institute	18
Alberta Alcohol and Drug Abuse Commission	167
Alberta Dairy Control Board	22
Alberta Educational Communications Corporation, The	179
Alberta Electric Energy Marketing Agency	105
Alberta Environmental Research Trust	137
Alberta Foundation for the Arts	28
Alberta General Insurance Company, The	244
Alberta Government Telephones Commission, The	247
Alberta Historical Resources Foundation, The	36
Alberta Insurance Council	209
Alberta Intermodal Services Ltd.	223
Alberta Liquor Control Board	237
Alberta Motion Picture Development Corporation	78
Alberta Multiculturalism Fund	42
Alberta Municipal Financing Corporation	214
Alberta Oil Sands Technology and Research Authority	107
Alberta Opportunity Company	83
Alberta Petroleum Marketing Commission	111
Alberta Racing Commission	198
Alberta Research Council	90
Alberta Resources Railway Corporation	204
Alberta Social Housing Corporation	187
Alberta Special Waste Management Corporation	141
Alberta Sport Council	47
Alberta Sport, Recreation, Parks and Wildlife Foundation	52
Chembiomed Ltd.	291
Credit Union Deposit Guarantee Corporation	254
Energy Resources Conservation Board	117
Environment Council of Alberta	152
Gainers Inc.	296
Glenbow-Alberta Institute	58
Government House Foundation, The	66
N.A. Properties (1994) Ltd.	262
Natural Resources Conservation Board	157
Public Utilities Board	126
Recreation, Parks and Wildlife Foundation, The	70
S C Financial Ltd.	268

	Page
Take-or-pay Costs Sharing Fund	131
Tire Recycling Management Board	162
Tourism Education Fund	99
Treasury Branches Deposits Fund	271
Wild Rose Foundation, The	173
Workers' Compensation Board, The	227
473654 Alberta Ltd. (in liquidation)	279
496072 Alberta Ltd. and NFI Finance, Inc.	284
540540 Alberta Ltd.	134

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